



Year 3 Number 9 Dec 2009 / Tan 2010

BRANDS

The **Amazon** sells, but who has the right to use this **name**?

OLYMPICS

The lessons
Rio de Janeiro
can learn from
Barcelona to
host a successful
Games in 2016

MISSION

An American wants to teach his fellow countrymen to say cachaça and drink caipirinha

INFRASTRUCTURE

Exporters are inventing their own solutions to overcome the port and highway bottlenecks

SOCCER'S STRUGGLE

DEBTS ■ **POLITICAL GAMES** ■ **BAD MANAGEMENT**

Why the world's best soccer nation is unable to produce globally renowned club sides



Oil or gas? Biodiesel or ethanol? Solar or wind power?



How about having them all?



The world's energy demand is constantly growing and one of the roles of Petrobras is to develop new ways to produce this energy. In order to attain further diversification, it makes continuous investments in



natural gas, plus biofuels and other alternative, renewable energy sources like solar and wind power. If the future is a challenge, Petrobras is ready.







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The Amazon brand sells, but who has the right to use the appeal of Brazil's biodiversity?

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Alessandro Teixeira, from ApexBrasil, expects
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ANTENNA

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ARTICLE

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The lessons Rio de Janeiro can learn from Barcelona to host an unforgettable Olympics

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Large exporters are taking their own steps to address Brazil's infrastructure bottlenecks

CECILIA PIRES

7 Ω GLOBE TROTTER

EXECUTIVE TRAVEL: A magazin in Paris, a hotel in Berlin, a restaurant in London, by Marco Rezende **EXPRESS TOURISM:** Istanbul, between East and West, by Ege Erim

IN TRANSIT: Rodrigo Cauduro's guide to enjoying London pubs

"Soft power" can't be dismissed

Soccer, Olympics, cachaça and coffee are the highlights of this edition, reminding us that a country gains an international presence not just by exporting commodities or setting up heavyweight industrial multinationals abroad, but also by winning over people's hearts and tastes with, say, its lighter side. We wanted to ask ourselves why Brazilian soccer, so powerful, loved and respected when it comes to the national side. is at the same time home to such weak club teams, so far removed from the international fame achieved by the powerhouse European sides (which, by the way, fight with their Euros to snap up the stars unearthed by these same local clubs that are unable to hang onto them in Brazil). The answers are found in the 9-page cover story run by contributing editor José Ruy Gandra, where you will understand some of the reasons why, in terms of economic health and international prestige, Brazil's soccer brilliance becomes a mess in the hands of our clubs and soccer bosses. Soccer drives the Olympics, and Adriana Setti, our Mediterranean correspondent, went to learn what lessons Barcelona, the host of the Olympics that enchanted the world almost 20 years ago, could offer to Rio de Janeiro as it gears up to host the 2016 Games. Sport also drives festivities, and this edition features a story from New York, told by Tânia Menai, about an American cachaca producer who wants to teach the world about the joys of Brazil's famous drink. And rounding off in style, Suzana Camargo, from Zurich, tells how some Brazilian coffee producers are now supplying special coffee beans to European gourmet coffee producers. Finally, we offer something new in macro politics. This edition features the debut of A View from Capitol Hill, a section in which reporter Flávia Carbonari will monitor all news coming out of the US that is of interest to Brazilian companies.



Before we sign off, we suggest to travelers seeking business between Europe suggest to travelers seeking and the East to take a trip through the delights of Istanbul, the fascinating capital city of Turkey, presented by adwoman and writer Ege Erim. Bon Voyage!

The Editors



TOTUM EXCELÊNCIA EDITORIAL Nely Caixeta



BRAZILIAN COMPANIES GO INTERNATIONAL

A TWO-MONTHLY MAGAZINE FOCUSING ON INTERNATIONAL BUSINESS AND ECONOMICS

DUBLISHED

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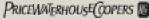
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KNOWLEDGE
IN THE
BUSINESS WORLD.

ESPM: Leader in marketing and communication education in Brazil.

EXECUTIVE MBA; MASTER; GRADUATE PROGRAMS São Paulo – Rio de Janeiro – Porto Alegre



Dear Editor,

Very appropriate and interesting article about the Amazon in your Aug./Sept. edition this year. At a time when the world is focusing on Copenhagen, following the decisions taken there about climate change, having an in-depth understanding of the role the Amazon plays in containing global warming is of fundamental importance. The report in **PIB** gave us the necessary base to evaluate whether the agreements reached at the conference will, in fact, be in any way beneficial in the fight for sustained development in the Amazon region. Congratulations to PIB, which, once again, is a step ahead in dealing with the serious questions and issues that face the world today.

VERA BOTELHO PH.D. SOCIAL ANTHROPOLOGY **UNIVERSITY OF SOUTHERN DENMARK ODENSE - DINAMARCA**

"Extremely interesting article about the Amazon. For humanity to stay alive we need two sources of energy: oxygen and glucose (which we get through food). Where are the government investments and subsidies for farmers to plant and conserve biomass and, thus preserve the two vital sources of energy?"

ROSÂNGELA SALETE DE FRANÇA E SILVA BRASÍLIA – DF

I am extremely interested in the area of foreign trade and intend to work in this area one day, as it is one of the most promising segments of development. The articles in PIB are intelligent and rich in information. However, I note that the successes cited are only achieved by larger corporations. An individual, smaller but just as idealistic, faces the same limitations, including investment, the lack of which often completely wipes out our dreams. I sometimes ask myself if one day I will manage to implement the export projects, international partnerships and supplies of goods and services in the agricultural sector where I intend to work. I would be grateful if one day you could include articles that show the way



forward in pursuing this idea, based on common sense, intelligence and a solid strategy."

RUBENS DA SILVA MENDONÇA GOIÂNIA - GO

PIB magazine has a great deal to offer. Different to many, it not only deals with large undertakings and companies, but also the entire production chain. I am pleased to have found a magazine that helps publicize the operations of Brazilian companies abroad. PIB is here to stay."

MARCOS ANTONIO QUINTO DUARTE PRODUTOR DE CACAU **FAZENDA PALMEIRINHA** SANTA LUZIA – BA

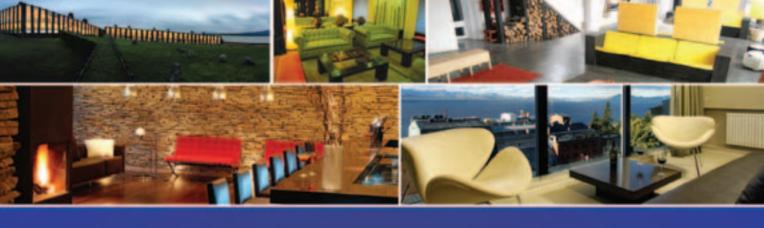
Excellent idea to deal with the Brazilian companies that are expanding daily throughout the rest of the world, to talk about the challenges they face, the strategies they adopt to attract new customers/ clients, and the satisfaction felt when this objective is reached. The articles are great, as are the professionals that write them. Local businessmen and women undoubtedly have good reason to celebrate the existence of a media vehicle that voices the opinion and ideals of this growing group of explorers in the new world, who embark on business ventures accepting all the associated responsibilities and risks, armed with competence and dedication." Congratulations to the team."

KATIA AZEVEDO TORNALISTA SÃO PAULO - SP

PIB is a magazine replete with objective content that is a pleasure to read. An intelligent magazine for intelligent readers.

PATRÍCIA CÉSAR **EXECUTIVE SECRETARY CHEMICAL PRODUCTS MANAGER** PETROBRAS DISTRIBUIDORA S.A. **RIO DE JANEIRO - RI**

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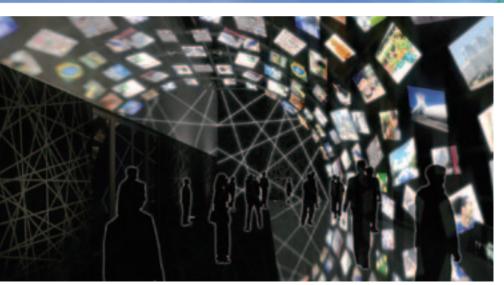
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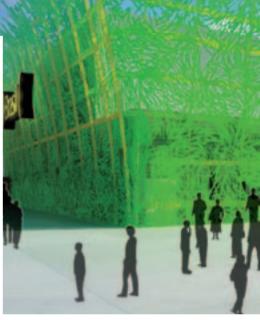




Antenna

The comings and goings of Brazilian businesses around the world





The World in Shanghai

Expo-2010 in the Chinese city will be the biggest international exhibition in history

WITH THE AIM of exhibiting the world's greatest technological feats of the time, the so-called national fairs or universal exhibitions began in the second half of the 19th century. Many groundbreaking inventions, such as Graham Bell's telephone and Thomas Edison's phonograph were presented to the world at one of these events, inaugurated with the Great Exhibition of the Works of Industry of all Nations or Great Exhibition, some-

times referred to as the **Crystal Palace Exhibition** in London in 1851, as the symbol was an imposing Crystal Palace, an architecturally adventurous construction of glass and steel temporarily erected in the middle of the aristocratic Hyde Park. The French built the Eiffel Tower 48 years later for the inauguration of the Paris International Fair, which is the longest-lasting original emblem of these events. Interrupted in the 20th century due to

the two world wars and the cold war, these international exhibitions were only held again in Seville and Geneva, both in 1992, before the Lisbon Expo in 1998. Although these meetings were ambitious, they failed to match the sheer grandiosity of the first world exhibitions. This is something that China intends to rectify in 2010, with its Expo-Shanghai, which looks set to be the biggest such event in history, and the first of its type to be held in an emerging country. A total of 191 countries and 48 international entities have already committed to taking part in the event to be held between May 1 and October 31, and 70 million visitors are expected (6 million attended the Crystal palace Exhibition). The theme,





'Better City, Better Life', seeks to draw the world's attention to the need to find a better way of living in the cities, by encouraging discussion and showing the best practices of sustainable management in urban environments. Brazil will be there. With its theme of 'Pulsing Cities', the Brazilian Pavilion at Expo Shanghai 2010 will display a mosaic of the human and cultural diversity in the country's cities, the dynamism and economic strength of its great metropolitan regions, highlighting the high-tech sectors and the main advances made in the country in terms of sustainability, social and political inclusion. As well as taking advantage of the fact it will be hosting the 2014 World Cup and the 2016

Olympics to promote the country as a world tourist destination, Brazil also plans to publicize its positions on sensitive global issues, such as biofuels and other clean and renewable energy sources, as well as present and discuss practices of sustainability, expansion of urban infrastructure and related themes. The Brazilian Pavilion is being designed by the firm Fernando Brandão Arquitetura + Design, which won the selection process held by the Brazilian Association of Architects (AsBEA) with the support of Apex. One of the most recognized projects in its portfolio is the interior design for the chain of Cultura bookstores, as well projects for Sesc, Perdigão and Banco Real.

The Sea in Cups

WHILE IT IS WAITING for Anvisa's authorization to market its

extremely original product on the national market – ready-to-drink desalinized seawater – the Brazilian company, Aquamare, founded in 2005, has not stopped. The company hopes to place its products throughout the U.S. and other countries that accept its registration with the FDA (Food and Drug Administration). The green light from this demanding American regulatory agency was obtained in 2008, after a process lasting three months. Aguamare now exports 50,000 liters of its ocean mineral water a month to the U.S. (more precisely to Florida) produced in its plant in Bertioga, on the south coast in São Paulo state, and sold in 300 ml cups. The product, which carries the company's name – Aquamare – is the result of more than ten years of research and investment in state-of-the-art technologies, such as nanotechnology. After collecting the seawater a long way offshore, it is processed by equipment that filters and selects its nutrients, the result of which is drinking water with 63 minerals. According to Rolando Viviani, Aguamare's director of Marketing, the company operates using a flexible licensing model, without any transfer of technology, which makes it easier to implement through the payment of royalties. The initial invest-ment for a desalinized seawater production unit is U\$3 million. As well as the United States, potential clients in Japan and Angola have already shown interest. Ironically, Brazil is now only waiting for Anvisa's approval to commercialize the product. (Ana Oliva)

FRIED SNACKS AND luxury homes. It is with this unique, almost improbable mix, that the Sao Paulo homebuilder Build Brasil, a medium-sized outfit, has moved into the Angolan market. The first Pastelândia store, one of the ten largest Brazilian food franchises, with 50 national outlets in shopping centers and hypermarkets, has just been inaugurated in Belas Shopping, Luanda. Six new stores are scheduled to be opened in 2010. Build Brasil also

recently launched, in partnership with Galson and JJFA, Quintas do Rio Bengo, a high-class real estate project comprised of 300 lots of luxury homes in the municipality of Catete, 70 kilometers from Luanda. The price of the property ranges from US\$ 300,000 to US\$1.5 million. The publicity for the project is using Pelé in its main advertizing campaign, who was in the African country in October to take part in the project launch.

ISSES MATANE

Certified Shrimp

FOLLOWING IN THE FOOTSTEPS

of other already certified Brazilian products (such as coffee from the Cerrado or Cachaça from Paraty), the shrimp produced on the Costa Negra, a coastal region in the west of Ceara state, will be the first of its kind in the world to carry the seal of controlled origin issued by the National Institute for Industrial Property (INPI). The producers, 32 farms in the region that cultivate the crustacean, are optimistic about the potential to increase exports, as they believe that the certification – which is expected to be official within a year – will add value to the product as well as improved market recognition.

t N. W. G.

Shrimp from the Costa Negra: with the Green Seal

Grown in captivity, the shrimp from the CostaNegra is already internationally recognized for its high quality, largely due to its organic cultivation and constant work to keep the water clean and maintain the balance of the soil in the region, which is rich in nutrients, and a natural food for the crustacean. The care taken during the development process has already earned the region's shrimp the German certificate of quality, known as the "green seal". One of the species preferred by Europeans, the Costa Negra shrimp is sold for US\$6.30 a kilo - approximately 40% higher than the average market price for this product around the world, according to the Association of Crustacean Breeders in Costa Negra (ACCN). The main import markets are the United States, Japan, the European Union (Spain, Denmark and France), and the region produced more than 7,000 tons of shrimp in 2008, and this figure is expected to increase by 15% in 2009. (Ana Oliva)

Crisis, what crisis?

THE ESTIMATED NET RE-

VENUE in 2009 of Stefanini IT Solutions, one of the main IT consultancy firms in Brazil, stands at R\$674 million, 32% higher than the figure reported in 2008. So the company appears to have sidestepped the effects of the recent global financial crisis having grown around 80% in the last two years and consolidated itself as one of the most internationalized technology companies in the country. Stefanini has 320 clients in Brazil and 125 abroad in 16 different countries. "Our networking was an important factor in reinforcing our operations in sectors such as finance, public administration, industry, health and retail, among others", said Marco Stefanini, the company's founder and president.

The brothers of design

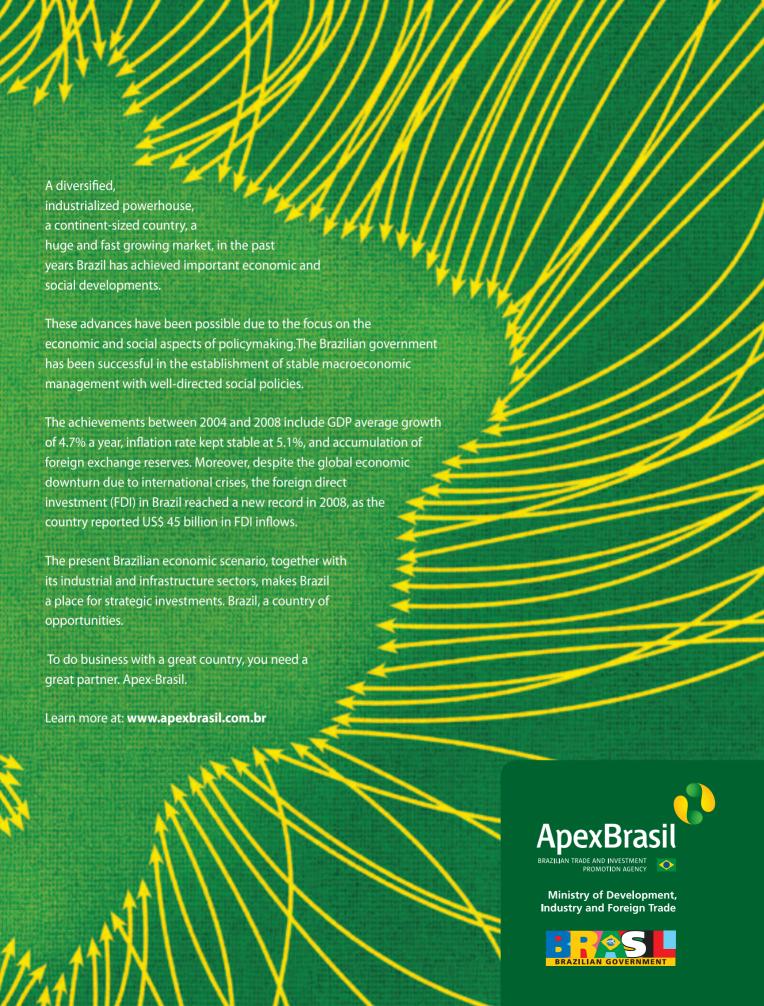
WHEN TALKING ABOUT the lawyer and teacher Humberto and the architect Fernando, few people link the names to artists. However, when we refer to them as the Campana brothers, the association is immediate, mainly due to the fact that the most important museum of contemporary design in Europe has their surname in big letters on its facade. In recognition of two decades of work as internationally recognized designers, the Vitra Design Museum, in Weil am Rhein, located on the triangle where the Swiss-German-French borders meet, has set up a retrospective exhibition of the Campana brothers' work. "They are among the most important names in the world of contemporary design in Latin America", said Mathias Schwartz-Clauss, the curator of the exhibition called Antibodies. The design exhibition starts with photographs and brief biographies of the brothers and the Positive and Negative chairs, pieces created at the beginning of the partnership. Most of the furniture, sculptures and decorative pieces are made using recycled Material, often with surprising results. The European exhibition shows the artistic methods the brothers' use and how their work is conceived, from the initial prototypes to the finished product. The exhibition includes 140 items produced between 1989 and 2009, some of which have become icons of contemporary design and are on display in New York's Museum of Modern Art - MoMa. The Campana brothers produce pieces for various international brands, such as the Italian luxury furniture company, Edra Mazzei. The Vitra Design Museum houses one of the largest collections of contemporary furniture in the world. Humberto and Fernando created some new pieces for sale in the museum's shop. The Antibodies exhibition will be open until the end of February 2010.

(Suzana Camargo, from Zurich)

UNA FAMIGLIA, 2006 © ESTUDIO CAMPANA, PHOTC FERNANDO LASZLO/ HARUMAKI, 2004 © ESTUDIO CAMBANA DHOTD: EEDNANDO LASZI O

The Uma Armchair and Famiglia and Harumaki chairs: on display in some of the most important museums around the world







Exporting mobility

THERE IS A CONSIDERABLE

amount of Brazilian intellect currently being devoted to setting up infrastructure in South African cities in preparation for the World Cup next year. Logit, a consultancy firm specializing in the areas of supply chain and

transport, founded in 1989 by a group of engineers and university teachers from the IPT (the Polytechnic School at USP), and the Federal University of Rio Grande do Sul, has just sold the operating and financial modeling project for a system of rapid bus

transport - the BRT (Bus Rapid Transit) - to the local councils of Johannesburg and Cape-Town, the largest and most important in the country. The system, very similar to the one implemented in the Brazilian city of Curitiba, is based on creating fast bus lanes and integrating their lines with other modes of collective (public) transport. The plan is for the BRT to be adopted in cities such as Tshwane, Nelson Mandela, among others, as, compared to other transport systems, the BRT is cheaper, takes less time to implement and has a passenger capacity similar to rail projects. "The aim is to implement the BRT system in 100% of the cities hosting the World Cup games in South Africa", said Wagner Colombini Martins, president of Logit. The two projects represent a revenue stream of US\$1 million for Logit. In its 15 years of exis-tence, the company has sold similar solutions to other countries, such as Colombia, Mexico and Tanzania



Judged against its own past, Brazil is doing astonishingly well. Judged against its potential, it still fares poorly

The Economist

Top-Priority – International Expansion

INDIFFERENT TO THE SIDEEFFECTS of global deceleration, the Brazilian Totvs, the eighth largest management software company in the world, is still committed to its international expansion project. Company management announced last month the opening of eight new franchises in five different countries: Angola, Argentina, Bolivia Paraguay and Portugal. As a result, Totvs now has 15 foreign operational units. The new operations, which adopt

the company's standard franchise model, are run by local businessmen, who distribute the products and provide installation and support services adapted to the pertinent fiscal and legal requirements existing in each country of operation. Moral of the story: in spite of the global crisis – and, in many cases, as a result of it – management systems are now seen as a top-priority investment, vital for the health and growth of businesses.

The value of biodiversity

IN TERMS OF VOLUMES SHIPPED, Brazil
is the biggest exporter of
vegetal extracts in the world,
a raw material that is increasingly used in sectors such as the food
and pharmaceutical industries, hygiene
and beauty products. However, in terms of
revenue, according to a study carried out by the

Biominas Foundation, the country is ranked tenth (see table). "Most of the medicinal plants in Brazil still need to be researched to prove the beneficial effects of their main ingredients", says Gustavo Saddi Bressan, coordinator of the study being developed at the Biominas Foundation. "And it is in this aspect that the process related to the exploration of biodiversity is still complicated and bureaucratic". The world leader in this segment in terms of revenue is China, where studies have already been made proving the benefits of vegetal extracts such as ginkgo biloba and ginseng. It also has thousands of years of history using this type of medicine traditionally. Last year, Brazil earned US\$28 million from exporting these products, mainly from extracts from Guaraná, Acerola, Açaí and Camu-Camu, the effects of which have not yet been fully investigated or accepted by science. (Antônio Carlos Santomauro)

A LOT FOR VERY LITTLE

The main global exporters of vegetal extracts

COUNTRIES	QUANTITY	VALUE
BRAZIL	1°	10°
INDIA	2°	3°
ITALY	3°	4°
CHINA	4 °	1º
HOLLAND	5°	14°
GERMANY	6°	2 º
MEXICO	7°	15°
BELGIUM	8°	13°
USA	9°	5°
EGYPT	10°	9º

Fonte: COMTRADE e International Trade Center (ITC)

Paris with Export subsidies

IN A BOLD MOVE, France has increased the number of urban tax-free zones (ZFU or Zone Franche Urbaine) from 44 to 100 throughout the country. The aim of this move is to revitalize the economy in these areas, under the agreement ratified by the EU, the

French government guarantees 14 years of tax and labor exemption – of 100% in the first five years, with this figure gradually falling in the next nine years, for every French and foreign company setting up business in these areas. Paris, with 26 ZFUs

and 12,000 companies, heads the list. "As the name suggests, the ZFUs are located in urban zones close to the city centers and their obvious attractions, such as transport, labor, services and, particularly, clients", said the consultant Roch Giraud, 34, owner of an agency in one of the ZFUs in Marseille. (Andrea Flores, from Paris)

Three Questions for Linda Zecher



GLOBAL VICE-PRESI-DENT OF MICROSOFT

for the public sector, Linda Zecher is responsible for more than 100 countries in the areas of government, education and public health. The U.S. executive has had a successful career in technology companies, including

stints with Oracle and PeopleSoft, before joining the Seattle giant in 2003. Ms. Zecher first visited Brazil in 2009, and spoke to PIB about the market outlook for Brazilian IT companies.

How does Microsoft deal with Brazilian undertakings in the IT chain?

Our business model is based on more than 700,000 partnerships throughout the world. However, creating strong ties with IT businesses is the core of our operation. Our Brazilian partners employ hundreds of thousands of people. For each real earned by Microsoft Brazil, our partners earn 12.17 BRL. We depend on locally-developed solutions.

What would you suggest for Brazilian IT companies to be successful in the Global Market?

Brazil is particularly well positioned to expand globally in this area. I think that two important measures have to be adopted now. Build on relationships with foreign partners that have complementary skill sets and, for those that have clients in the public sector, consolidate the relationships with their agents and understand that, in this area, the targets are more complex than a simple bottom line result.

Although the country is now more attractive for business, Brazil still needs to improve (and considerably) the quality of its education. How can Microsoft help the Brazilian government face this challenge? What has the company done along these lines in other emerging countries?

Offer a quality education to 1.4 billion people around the world is essential for the future of our societies and for the competitiveness of any country. Microsoft's Partners in Learning program (Partners in Education) reaches 160 million students and 7 million teachers around the world. The program is currently in place in 20,000 schools in Brazil.

Moving South...

ECONOMIC STABILITY AND the innumerous projects involving basic sanitation and infrastructure underway in Uruguay have led Tigre to build a pipe manufacturing plant (for water and sewage) in the country. Tub Conex Uruguay, based in Libertad (40 kilometers from Montevideo), started up its operations at the beginning of October, with an initial investment of R\$16 million. Since 2006, when the distribution Center was founded that was turned into the existing plant, Tigre has sold its products produced in Brazil and Argentina locally, as Uruguay has adopted the same technical norms. This is the Brazilian group's tenth foreign manufacturing plant; the others are in Argentina, Bolivia, Chile, Colombia, Equador, Peru and the U.S. (and there are eight plants in Brazil). "Due to their strategic location in the region, this unit is yet another step in consolidating our presence abroad", said Evaldo Dreher president of Tigre.



Speaking Spanish

A BRAZILIAN GROUP involved in distance learning, Eadcon, in Paraná, now has a presence in Colombia, and intends to expand into other Spanish-speaking countries in the region. Julián Rizo, CEO, states the numerous advantages that led to the expansion into Colombia, and the reason this country was chosen as the company's first move outside Brazil: its sizeable population, its relatively high level of education for the region, international accords recognizing diplomas and, finally - an important point for an activity that is based on courses and classes via satellite television and the Internet - the Colombians speak Spanish with a neutral accent that is easily accepted and understood by our neighbors on the continent. Eadcon plans to offer 16 courses next semester (tourism, accounting and administration, among others), and expects to have a presence in Peru in 2011.



The Russians on Parade

A RECENT JOINT STUDY between the Russian Academy of Sciences and Vale Columbia Center on Sustainable International Investment, at Columbia University, shows that, despite the crisis, Russian investors continue to expand their foreign operations. The twenty largest multinationals in the country owned US\$188 million of foreign assets in 2008, reported revenues of US\$266 billion in foreign markets, and employed 190,000 people abroad. Of particular note on the list is Luk Oil, the petrochemical giant that accounted for approximately 20% of the foreign assets listed in the survey, with Gazprom close behind in second with 18%.

The Capital Flowing into the Emerging Markets

IN 2009, FOR the first time in history, the inflow of Foreign Direct Investment (FDI) into emerging countries could overtake the volume invested in the more developed nations, as indicated by a study made by Vale Columbia Center on Sustainable International Investment at the University of Columbia, in Nova York. This is further evidence that the emerging world – particularly the larger BRIC countries, Brazil, Russia, India and China – are rising out of the dust created by the recent financial crisis in far better shape than most developed nations. The financial crisis crippled direct

investment between countries in 2009 on a global scale – in the first semester of the year the volume of FDI around the world fell by 49% compared with same period in 2008. However, while the wealthier countries saw a drop of 54%, the volume of investment into emerging countries fell by 40% (China lost 18%; Brazil and Mexico, 25%). We may see an improvement in the second semester, but not by much: the global flow of FDI – which surpassed US\$2 trillion in 2007 – is more than likely to be less than US\$1 trillion in 2009, according to Vale Columbia Center.

World Test

IT IS NOT always the case that a company risks taking the first steps in the international market in a defined program. It is more often the case that they take advantage of the opportunities that appear along the way to internationalize. Labtest Diagnóstica, a biotech company based in Lagoa Santa, in the state of Minas Gerais, was founded in 1971 and began to export in 1978 to Venezuela. But these were sporadic sales, largely the result of contacts made at events in Brazil. However, step by step, the company has become recognized in Central and South American countries. But it was only in 2002 that Labtest decided to export directly and went in search of distributors. After having decided to take on the world, company management started going to health fairs in Latin America to research the local and global markets. "We took part in three global fairs in the United States, Germany and Dubai", says Tércio

Bomfim, Labtest's export manager. Labtest also began to export to Asia and Africa this year - Pakistan, Indonesia, the Philippines, Sri Lanka, South Africa and Angola, making a total of 17 different foreign markets where its products can now be found. Labtest develops, produces and sells reagents for laboratory tests, such as measuring the content of glucose, uric acid and cholesterol, as well as 136 other types of reagents to diagnose various different diseases. The company's strategic planning for the next few years indica-



tes the countries that are likely to be targeted, and management expects to be exporting between 20% and 30% of total production. The global market for this type of product is estimated to be in the region of US\$10 billion, although no precise data is available. Labtest is also a beginner in this market, although management expects exports will total around US\$600,000 in 2009, 15% higher than in 2008, thanks mainly to sales to countries in Asia and Africa. "We expect to reach the million-dollar mark quite soon", said Bomfim. (José Maria Furtado, Belo Horizonte)

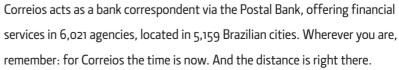
Green Plastic

NOT ALL THE negotiations at COP-15 - the United Nations conference on climate change in Copenhagen - end badly (or not at all). In an announcement made in the Danish capital during the diplomatic debates, the Brazilian petrochemical giant, Braskem, announced the setting up of a partnership with the Danish company, Novozymes, to research and develop polypropylene made from sugar cane. Polypropylene is currently still a plastic derived from oil and used on a large scale in the manufacture of packaging, bottles, car components, and electro-domestic (white line) goods. Braskem has already developed a green version - obtained from sugar cane based ethanol - of another type of plastic, polyethylene, and is ready to produce it on a large industrial scale in Rio Grande do Sul. The technological partnership with Novozymes is expected to begin to produce results in around five years, according to company management estimates.















A View from Capitol Hill

<mark>News with a Brazilian Slant fro</mark>m the United States

FLÁVIA CARBONARI



Sugar Cane 2 x 0 Corn

The weighty system of agricultural subsidies in the U.S. has its critics at home, as is shown in two reports published by agencies with ties to U.S. Congress.

ETHANOL MADE FROM CORN IN CHECK - the first is the document Biofuels: Potential Effects and Challenges of Required Increases in Production and Use, GAO, produced by the Government Accountability Office (GAO), the government "watchdog" do (see box). According to the analysis carried out by the entity, the fiscal credit of US\$0.45 per gallon passed through to the mixture of gasoline and alcohol fuel extracted from corn should be reexamined. This subsidy was first implemented in 2005 to support the U.S. ethanol producing industry – currently the largest in the world. "The report is important because it compares the different types of ethanol", explains Joel Vasconcelos, the chief U.S. representative of the Sugar Cane Industry Union (UNICA), which defends the interests of Brazilian producers. "The U.S. government has several policies for the biofuels' sector, and the GAO shows that it is helping a type of ethanol that is not as good as it appears far too much", said Vasconcelos, referring to corn ethanol, which is criticized in the report. The U.S. is expected to spend approximately US\$6 billion this year on direct subsidies to the sector.

GAO is known as the "investigative arm of Congress". Independent and with no party bias, the body that produces studies and research at the request of members of congress. The report on biofuels was requested by Senator Barbara Boxer (a Democrat from California and president of the Senate Environment Committee), and has been highlighted as a result of the importance attributed to the subject by the Barack Obama government.

A CLASS OF 14 Brazilian post-graduate students have been in Cambridge, Massachusetts since the second semester of the year, where they embarked on advanced studies in public health, education and public administration at Harvard University. They comprise the fourth group of Lemann Fellows – scholars supported by the Lemann Foundation, sponsored by the Brazilian banker Jorge Paulo Lemann.



* (left to right) Maurilio Santana, Frederico Meinberg, Marcio Siwi, Ana Luíza Gibertoni Cruz, Gisela Gasparian Gosling, Pedro Henrique H. F. de Cristo, Heloisa Micheletti Alvarez, Danyela Moron, and Rosabelli Coelho Keyssar





CONTRARY TO GLOBAL TREND - the consumption of oil in the world is likely to rise in the next few years, with the emerging countries driving this expansion. However, as reported by the consultancy firm Cambridge Energy Research Associates (IHS CERA), Brazil is more than likely to buck this trend - one of the reasons being the growing use of alcohol fuel in the country, which has led to halving gasoline consumption. Approximately 54% of the current level of demand for oil is accounted for by industrialized countries. However, these reached a peak of consumption in 2005, which is not expected to be attained ever again. The projection made by CERA is that 83% of the expected growth in global demand for oil between 2009 and 2014 will come from emerging countries.

PREFERENCE UNDER ATTACK – the

Generalized System of Preferences (GSP) in the U.S. expires this December and needs to be renewed by Congress. Os beneficiaries of the program have access to the North American market with exemption from import tax. In the last few years, Brazil has been among the top five countries benefitting from this exemption, out of the 132 countries included in the System, but whether it remains there is being questioned – a considerable number of members of Congress see the country as a competitor that should not be favored with commercial preferences. In 2008, approximately 9% of imports from Brazil (US\$2.7 billion) were included in the GSP.





After the Havaianas flip-flops, another popular Brazilian product is conquering the world: cachaça and its offspring, caipirinha. A US citizen in love with Brazil is part of this story





teve Luttmann couldn't hide his joy when it was announced that Rio de Janeiro will host the 2016 Olympics. No, he doesn't live in Rio. Nor is he an athlete. He is the businessman behind the Leblon cachaça, the drink bearing the name of a Rio district and that is market leader in the US. Steve (a sort of one man army in promoting cachaça worldwide) had reasons to celebrate. On that October day, he recalls, the word "caipirinha" was used in the title of a US press article for the first time. "On the day of the announcement, the Associated Press told the whole world that Rio de Janeiro people were 'drinking

caipirinha on the city streets", he recalls at his company headquarters, a large Manhattan loft where an alembic glitters amid computers and photos of the beautiful Leblon beach (close to Ipanema).

Steve and his partners pro-

duce (in Brazil) and sell around 450,000 bottles of Leblon per year, enough to make seven million caipirinhas. Only 16% of production is sold in Brazil – the rest is exported to 12 countries. But Steve does more than just produce and distribute. He has

two other, self-adopted missions: the first is to educate Americans on cachaça and caipirinha. And the second is to ensure that the US government officially recognizes the proper identity of cachaça, instead of the disastrous "Brazilian Rum" label – as it is

Rum" label – as it is officially classified in the US.

There is also a third mission, exclusively for Brazil: Steve wants to remind upper/middleclass Brazilians that caipirinha is made with cachaça. Vodka is for Russians. "It

Steve Luttmann
is a caipirinha
fanatic:
he insists on
making the
drink with
cachaça, not
vodka





has no taste, in every sense", he says. "However, sugarcane gives cachaça aroma, taste, personality and layers of complexity, just like tequila does for margarita". In this mission, he has an ally: the highly-renowned Brazilian chef Alex Atala, who chose the Leblon brand to make the caipirinhas for Dalva & Dito – his Brazilian food restaurant in São Paulo. Atala says he fully agrees with Steve.

Is a margarita with no tequila still a margarita, asks the chef? No, he replies emphatically. And the same criteria should apply to caipirinha. "Let's use vodka for what it was intended", says Atala. "You have to respect cachaça, and vodka".

In the US, Steve's campaign is called "Legalize Cachaça". In Brazil, he uses the phrase "Save Caipirinha!" Both are very funny. When Rio was chosen to host the Olympics, Leblon held *Caipi-hours* in bars of 10 US cities. He even created a special caipirinha for the occasion, in the colors of the Brazilian flag: lime, lemon and blueberry. And he didn't forget the losing cities. "We also offered the "Consolation" version to Chicago, and two recipes reminiscent of Madrid and Tokyo – all four are delicious", he says. Leblon also

IN CEARÁ, A MALT CACHAÇA

Ypióca means purple land in the native tupi-guarani dialect. But for consumers from 40 countries, it's a name that represents Brazilian cachaça even before the drink earned the respect of international drinkers in recent years. Founded in 1846, and with 41 years of export operations, the Ceará distillery is now exporting a new brand: Ypióca 160, a cachaça celebrating the company's 16th decade of operations.

At the end of October, the group controlling the brand (Holding Telles S.A.) opened a plant in

Jaguaruana (Ceará state), dedicated exclusively to cachaça exports. Located on the banks of the Jaguaribe River, the investment includes 5,000 hectares of planted sugarcane. The new Ypióca 160, according to commercial director Aline Teles, features a new component: malt, a cereal extract traditionally used to make whisky. It is the first ever malt cachaça, and it is aged in oak barrels, says Aline.

Ypióca 160 is targeting the market of fine distillates – in Brazil, a bottle costs R\$ 60. Finding the right formula cost R\$ 5mn and took

eight years (two years of research and a 6-year aging process). It has already been exported on a small scale to Denmark, Germany, the Czech Republic, Spain and Austria. The company initially expects to sell 6,000 crates per month and 10,000 shortly after.

The distillery currently produces 70,000 liters/month of cachaça, which is expected to rise to 75,000 liters/month. This year, it also expects to increase its revenue by 10% (2008 revenues totaled R\$ 300mn). Aline said that the sales growth should be concentrated in countries where the group already operates: Spain, France and the US which, together, account for 53%

holds parties and parades with the theme "Legalize Cachaça" in New York bars, amid Los Angeles traffic and on Bourbon Street (the New Orleans drinkers' street).

I can't just export the drink: I need to create a cachaça culture

The cachaça cause

On a Monday, PIB accompanied the pro-cachaça posse at one of the three New York bars visited by the parade. Steve was there, amid banners and trays of caipirinha. It's all registered on YouTube, which Leblon also uses to promote the drink, explain its origins and teach Americans how to pronounce the word: "ka-SHA-sa".

Armed with banners and megaphones and wearing green shirts with the *Legalize Cachaça!* campaign logo, they make their presence felt. They make a lot of noise, like someone defending a political cause. Sometimes, they read out a statement in public in favor of the

drink's official recognition. In New Orleans, they even wore those white wigs used in Anglo-Saxon courts.

Leblon's US launch was coordinated by the British consultancy firm

McKinney Rogers, specialized in developing business strategies and international expansion of global brands, especially in the beverages business. Damian Mckinney, McKinney Rogers CEO, was recently in São Paulo, where he opened the company's first office in Latin America. What was it like to work with a drink so strongly identified with Brazil in the US market? "It was easy", replied McKinney, highlighting the creativity with which Steve is trying to popularize cachaça among Americans.

Steve explains the reason for breaking from the routine: the job of educating US consumers, he

says, must start by changing the import mentality. It would be much easier and cheaper for someone in São Paulo or Belo Horizonte to close the container with the drinks, send them to the US and leave the rest of the work to the importer and distributer. "But that isn't how it works", explains Steve, who worked in the fine distillates division of the French brand LVMH (Moët Hennessy - Louis Vuitton). There, he learnt a lesson: when the French wanted to sell champagne in the US, they came here, instead of simply exporting it from France. "They joined the local market and taught Americans to say cham-pa-gne".

The cachaça lobby

Steve is following the same path: "We sell Brazil in a bottle", he explains. "When you drink a caipirinha, you are momentarily whisked away to Rio de Janeiro, without

having to buy the airfare", he says with a smile, recalling that a 750ml bottle of

of Ypióca exports. But the company is also exploring new markets in Africa, Eastern Europe and New Zealand. Although cachaca is the group's main business, Holding Telles S.A. controls other companies that produce cardboard, mineral water, PET bottles and they also have operations in agribusiness and pisciculture (Lauriberto Braga, from Fortaleza).





Leblon costs US\$25-30. Steve has a team of celebrity bartenders all over the US who help him spread the word about caipirinha and drinks made from cachaça (they are paid for this). They are people known in the business, owners of their own bars, who create drinks and are self-proclaimed "mixologists". "We spend a lot of time with these guys, teaching and inspiring them" says Steve. The result? "They create incredible recipes, and teach us a few things as well".

It's a long journey. In the US, margarita is still the number one cocktail drink. But Steve recalls that when the Mexicans entered the US with tequila, they endured the same problems he is facing now: the Americans called tequila Mexican Rum. The bureaucratic process of removing the name Brazilian Rum from the cachaça bottles sold in the US is finally coming to an end, he guarantees. It was difficult: the Brazilian government has spent the last 10 years trying to have the name "cachaça" approved by the US gov-

ernment – a request already turned down on several occasions, says Steve.

Why? Well, the Americans didn't understand what a legitimate drink is, so they tried to label it from a technical standpoint, related to the raw material and the produc-

tion process. "It's like calling Mary someone who was born and raised as Jane", he explains. "You can't swap a product's cultural value for the scientific criteria; and besides, cachaça tastes nothing like rum; it's much more like tequila", he argues. But the cachaça market has been growing in the US, although Steve

says that only 20% of Americans have actually ever heard of cachaça (though this is still twice the percentage who had heard of the drink in 2008).

The Brazilian Cachaça Institute (IBRAC) hired a lobbyist, took the problem to the Brazilian Embassy in the US and, together, they visited the US agency responsible for labeling drinks to explain that, as the Brazilian Carnival song goes, "cachaça sure ain't water"...and much less rum. Steve himself got involved in the process and says that the resolution changing the drink's official classification is set to be passed any time now. Once published, it becomes law in 70 days.

Minas Gerais distillery

Steve was introduced to caipirinha in 1997 in São Paulo, where he also lived for a while. He fell in love after his first sip. As time went by he remained amazed that his fellow Americans had never even heard of Brazil's favorite tipple. Upon noting the success of mojito (a Cuban drink

made with rum, lemon and mint) in the US, he realized that caipirinha could also enjoy its day in the sun. "Mojito broke bartenders' resistance to crush lemons, which is essential to make a caipirinha", he says. "What they really en-

joy is mixing drinks."

The official

classification

of cachaça

should

shortly be

recognized in the US

Steve blended this vision with his experience, added a middle-age crisis, shook and stirred things up with a major dose of enthusiasm, a few more pinches of sugar and founded Leblon, in partnership with his Brazilian father in law Roberto Stoll Nogueira, a French partner,



Gilles Merlet, an Englishman and an African. "Brazil has everything that guarantees a vibrant brand: a party atmosphere, beautiful people, stunning wildlife and the Real Plan, which brought innumerous benefits to the country", says Steve, who is married to a São Paulo woman. The name Leblon comes from the famous beach, located next to the Dois Irmãos hill. "It's a two-syllable word, kind of French sounding, a sophisticated and well-known district with real pedigree", he explains.

After spending several months driving round in search of the right distillery, Steve, his father in law, and their French and English partners found what they were looking for in Patos de Minas, in the Alto Paranaíba region (Minas Gerais state). They bought the ranch with the full backing of Gilles, who went from consultant to partner, bringing the know-how of his family, which owns a distillery in France. Each



year, they improve the distillery, which is now called Maison Leblon. "It's a piece of France smack bang in the middle of Brazil", says Steve. He says his partners have already invested over US\$15mn in Leblon, which has 60 employees evenly divided between the Brazilian distillery and the commercial and distribution operations in the US.

In Brazil, Leblon has another motto: "celebrate Brazil, celebrate this fantastic drink!", says Steve. It was this motto that led him to join up with Alex Atala – known for using Brazilian ingredients – to raise the campaign flag. Atala explains that he chose Leblon to make the caipirinhas of his Dalva & Dito

Gilles Merlet, Leblon master distiller: on the left, a street campaign in the US

restaurant because it is a cachaça that combines high quality with production volume. "The fact that they have a French master distiller who is a brandy connoisseur shows they aren't playing around here", he says. Steve stresses that Brazil has great cachaça brands, but that consumers need to understand the

difference between industrial pinga, which, in his opinion, reminds you of ethanol production, and cachaça. "Cachaça is totally homemade and pure; it uses every last inch of the sugarcane", he explains. "And what's best: it doesn't give you that headache the next day". And on that note, cheers!



lated to vegetables, water, extracts and other products derived from the Amazon rainforest's massive biodiversity, and not necessarily of companies from the region. With an eye on the international market, several of them use English words such as day, flowers or fruits.

Some people believe the indiscriminate use of the word Amazon depreciates its value, and are in favor of restricting its commercial usage similar to the protective measures related to a product's geographical origin (such as the ultra-Italian Parma ham or French champagne). Should the name of a bar of soap, for example, feature the term Amazon if it is not produced there and if it contains a very low percentage of Amazon ingredients? "The best strategy for enhancing the value and prestige of the Amazon brand is to restrict its use to products originating from the region and produced in sustainable fashion", argues Virgílio Viana, head of the Sustainable Amazon Foundation. Created via a partnership between Bradesco bank and the Amazon government, the Foundation is a NGO dedicated to the region's sustainability and environmental preservation. It develops projects such as the Rainforest Program, which offers financial reward to communities committed to rainforest development and conservation.

Viana notes that many of the products featuring the Amazon brand have no link whatsoever to the region or use only a tiny amount of local ingredients. "And even these small amounts of ingredients are often obtained without any commitment to sustainability", he says. In terms of companies that exploit the Amazon's regional pulling power, the dilemma is recognized by some. The Brazilian company Natura is a good example, as it seeks to link

its brand to ecological attributes and has already been accused of improper use of Amazon ingredients (see box section). "And we aren't just talking about companies... institutions also opportunistically exploit

the Amazon brand", says Rodolfo Guttila, director of corporate affairs of Natura. "More often than not, they don't do anything for the local community and don't create wealth in the chain of businesses identified with the region – opportunistic marketing is their sole activity".

Guttila, of course, argues that this isn't the case of his company. Natura, he says, generates wealth for the region by using raw materials extracted from places such as the Médio Juruá river (in Amazonas), or by communities in the interior of the states of Amapá and Acre. In terms of the amount of local ingredients used, he says this criticism comes from those who don't understand the processes involved in the cosmetics industry. The percentages used reflect a sustainable production process, which features zero waste, says Guttila. "We use the required amount to make perfumes

Over 1,300
Brazilian
companies
use the name
Amazon in their
brands

or moisturizers...nothing more, nothing less", he says.

But, if there are risks, the opportunities related to the concepts of nature and sustainability are probably much greater – especially

in the international market. A good example is Native Original a Manaus store that sells furniture and decorative objects produced by local craftsmen, using residues of wood, seeds, fruits and fibers from the region. The prices of its products, developed by the Tropical Design project of the Center of Analysis, Research and Technological Innovation (FUCAPI) of Manaus, can cost up to R\$ 10,000. Rozana Lentz, partner of Native Original, says that foreign clients are now willing to pay a "fair price" for products combining recycled waste. design care, almost craftsman-like production, community involvement and income and job creation. Native started participating in international trade fairs last year and already exports to a Spanish store. "At our Manaus store, most clients are tourists, especially foreigners", savs Rozana.

EXPORTS OF NORTH REGION

(JANUARY TO SEPTEMBER 2009)

- Min- Ores such as iron, alumina and aluminum account for over 60% of the total US\$7.3bn exported by the region in this period; beef and other red meats accounted for another US\$450mn. The region exported almost US\$210mn in cell phones
- \blacksquare Exports of concentrated extracts and essences totaled US\$1.5mn
- **Exports of Brazil nuts totaled US\$7.3mn**

Source: MDIC (Brazilian Trade Industry)

Special

Other brands also occupy the niche of sophisticated products with a touch of sustainability. AmazonLife, for example (a Brazilian brand currently leased to Braccialini - an Italian company specialized in handbags and fashion accessories), develops products whose main ingredient is natural rubber produced by local communities. AmazonLife bags and shoes can now be found in countries such as Italy, England and Japan. Abroad, one of these bags costs between 150 and 300 euros. "Worldwide, we sell between 20.000 and 30.000 brand items", says Angela Hirata, partner. As well as licensing the brand,



reckons, since it is only now that international consumers are starting to really appreciate products related to environmental and social responsibility, "8-10 years ago, the topic only appeared in the speeches of environmentalists", says Etel. Using only certified Amazon wood to make its products, Etel has an office in Valinhos (São Paulo) and a plant in Xapuri (Acre), where

Etel Carmona and Virgílio Viana: preservation = sustainability

Even companies that don't work directly with forest products admit that supporting preservation goes a long way to creating a positive image. This is the case, for example, of Bradesco, which supports Viana's Sustainable Amazon Foundation. "All these activities add value to our brand, since today's society is increasingly recognizing companies engaged in effective actions on behalf of society and the environment", says Luca Cavalcanti, Bradesco's director of marketing.

In Brazil, at least theoretically, use of the term Amazon and derivative names in brands with no ties to the region is strictly prohibited.



AmazonLife sells its rubber laminates to other clients, such as the French brand Hermès.

A Brazilian furniture manufacturer, Etel, also entered this market, and now derives 20-30% of its revenue from exports, says president and founder Etel Carmona – a percentage that could grow, she

13 people work. According to Etel, recognition and appreciation of the value of Amazon products and ingredients is important both from an economic standpoint and in terms of preserving nature. "The Amazon rainforest will only survive if it creates income for the local populations", she says.

Brazilian law bans any product registrations that lead consumers to believe in the false origin of a product or service. Legislation, however, doesn't define the nature of this relationship – local production or a minimum percentage of authentic Amazon ingredients, for example – nor does it demand proof of companies' commitment to environmental sustainability.

The government has implemented some initiatives to safeguard the commercial value of Amazon's appeal from speculative ventures, but they remain undercooked and incomplete. In 2007, an Amazon state law created the Sustainable Amazon seal for local state companies complying with the sustainability criteria. But, since its concession wasn't regulated, the seal has yet to

PIRATES OF CUPUAÇU

PROTECTING THE USE of the name Amazon is vital, but maybe it's not enough. Other products from the region, as their fame grows abroad, also become targets of business pirates. A famous case in point is the Japanese company that registered the name of the Amazon cupuaçu fruit as its brand in Europe, the US and Japan. Its cunningness forced the Brazilian government to endure five years of court disputes to annul the brand's registration (the lawsuit was concluded in 2005).



Sideboard and lateral desks: made from certified wood



be granted to a company.

On the positive side, in addition to supporting products such as furniture, handicraft and bio-jewels (made from biological ingredients such as seeds), the Amazon government certifies the production process of cupuaçu, açaí, guaraná and pirarucu (a large Amazon fish normally salty in taste, like a codfish). "The certified guaraná of the Maués

local ingredients; as well as Native Etel furniture and Amazon Life products, the list includes chocolates and candy made from Amazon rainforest fruits by Bombons Finos da Amazônia, and currently sold in the US and Europe.

According to Jorge Alberto Coelho da Silva Jr., head of marketing of Bombons Finos da Amazônia, the company obtains the ingredients This is the case of guaraná, exported by the Amazon company Andirá in both powdered version and in a presentation that it has developed and patented: guaraná 'tea', in little teabags. Located in Manaus, Andirá obtains some 70% of its revenues from exports to the US, Australia



Bio-jewels by designer Daniela Kipper, from Rio Branco, made from seeds and materials of the rainforest, and latex bags of AmazonLife at Mitsukoshi store in Tokyo: international appeal

region, for example, goes directly to around 1,000 Italian drugstores", says Marcílio de Freitas, Amazon State Science and Technology Secretary (she is also from Maués, by the way, where the ingredient

used in the guaraná Antarctica soft drink comes from).

At least for the time being, the items created from the Amazon's biodiversity and crops do not account for much of the region's exports which mainly feature commodities

and items processed in the Manaus Free Trade Zone (*see chart on page XYZ*). Still, the region already exports some products made from

for its products via partnerships with local communities. Even its packaging format is inspired on the region's handicrafts. "They are good differentials in the fight for the international market", he believes.

But Bombons Finos da Amazônia only exports 2% of its production, since its product mix is formed by perishables – hindering its ability to tap the export market. "We are already researching technology capable of extending our products'

shelf life", adds Silva Jr.

The Amazonas

state

government

certifies

production

of guaraná

and pirarucu

Those who do their homework will find new markets, even for products already known to consumers.



and Ireland, for example. Its packaging and promotional material are bilingual – English and Portuguese – and openly use and exploit the Amazon region's mysticism. The double slogan of its guaraná is *A energia que vem da Amazônia / The energy from Amazon*. "In the first half of 2009, our exports grew 5%", says Ana Paula Atroch, partner.

Andirá's portfolio also features one of the Amazon-based products with the highest international demand: açaí, a fruit associated with physical energy and cardiovascular health. Andirá sells açaí in powdered form. CAMTA (Joint Agricultural Cooperative of Tomé-Açu), from Pará, created in the 1930s by

Japanese immigrants, exports acaí – a business in which it posted export revenues of some R\$ 2mn last year. "We export 45% of our production", says Francisco Sakaguchi, managing director.

Açaí is only one of the 300 edible Amazon fruits identified by the Sustainable Amazon Plan – which so far is a package of intentions featuring some credit offer, launched last year by the federal government to encourage sustainable economic activities

> Girasol fruit bowl, by Native Original: most of its clients are foreigners



in the region. Overall, this program estimates there are around 10,000 Amazon plants with potential for economic usage in the food, cosmetics and pharmaceutical

industries. This is where Natural Amazon Herbs, for example, enters the fray: it is a company from Louveira (São Paulo) that produces and exports extracts of herbs and fruits used in herbal medicines, vitamin supplements, cosmetics and food.

Despite the name, the company also works with vegetable ingredients from other Brazilian regions. "Extract of açaí, however, is currently our main export product", says Benjamin Yung, director. Without revealing amounts or volumes, he guarantees that half of its production is exported. Natural Amazon Herbs' website (http://www.naturalamazon.com.br/#/pre-home) has

Açaí is just one of the 300 edible fruits of the Amazon rainforest

versions in four languages: Portuguese, English, French and mandarin Chinese.

To increase the ability to economically exploit the Amazon's biodiversi-

ty, the federal government created the CBA (Amazon Biotechnology Center) in Manaus, dedicated to market research and innovation. Although it still isn't fully operational, the CBA is already running projects in partnership with Abihpec (Brazilian Association of Personal Hygiene, Perfumes and Cosmetics see box section). The CBA also helps Bombons Finos da Amazônia to do research intended to increase the durability of its products. Imar César de Araújo, coordinator, offers a good example of how the use of the Amazon brand and its control are complex. "I recently bought in Chile a guaraná drink from Amazon,

BRAZILIAN BEAUTY

The beauty and personal hygiene industry is one of the most interested users of the ingredients of the Amazon's biodiversity. The Body Shop, a pioneer in partnerships with indigenous communities from the region, made the origin of its products one of the pillars of its successful strategy to become a global company. Other major international brands, such as Lacroix and Aveda, are also taking advantage of the natural beauty and abundant natural resources of the Amazon region.

In terms of Brazilian companies, Natura uses Amazon ingredients, especially in its Ekos line, exported to France, Argentina, Chile, Peru, Mexico, Colombia and Bolivia. But its ecological motto also sparks controversy. Natura was sued by the Acre State Attorney Office for improper use of the knowledge of a local tribe (Ashaninka) in using an ingredient from a local palm tree called murmuru (the lawsuit also involves other companies). According to Marcos Vaz, director of sustainability at Natura, the company explained in court that it has no links with the Ashaninka tribe, and discovered the properties of murumuru via studies by in-house researchers, based on scientific literature on the properties of this palm tree since 1941.

In terms of the Amazon ingredients currently used by Natura,

Vaz lists items such as andiroba, Brazil nuts and cumaru, and seeds from plants such as cocoa and passion fruit. "In 2008, the company bought 8 tons of andiroba alone from the Médio Juruá Cooperative, in the Amazon", he adds. Used in creams and soaps, andiroba, Brazil nuts and copaiba are the three most used Amazon products in beauty and personal hygiene items. In the international market, consumers are increasingly appreciating these ingredients, but local producers don't receive any major gains: "In the Amazon rainforest, the producer receives between R\$ 15 and R\$ 20 for a liter of pure copaíba oil; abroad, this oil is fractioned and sold for over US\$70", says Enriquez, from the

CBA researcher in Manaus: supporting local companies

standardized and packaged in Canada", he says.

One thing is certain: just coming from the Amazon and being produced with sustainability doesn't guarantee export success: the product must have the level of quality expected by consumers. "Cosmetics, for example, need to carry out the role they are committed to – being good for your skin", says Silvana Azzellin, an executive from Cognis, a German multinational company producing ingredients for cosmetics and nutritional products, with a plant in Jacareí (São Paulo). Still on a small scale, Cognis currently exports various Amazon products to Italy, Chile, Argentina and Colombia: Brazil nut oil, andiroba oil, murumuru butter and cupuaçu butter, among others. Also, the products need to meet the promised sustainability criteria. "Some buyers demand certification of the packaging information and several producers are now even disclo-



sing the names of the communities where their ingredients originated", says Gonzalo Enríquez, who has a degree in sustainable development, and is economics professor at the Federal University of Pará (UFPa). "Bombons Finos is an example".

Alert to this need, in 2010 the Amazon government will start to set up laboratories intended for certifying the emission of gases, by companies from the region, that are hazardous to the ozone layer. In the view of Freitas, more than just selling products and services, the Amazon region helps to consolidate the 'EcoEco' concept – an economy linked to the ecology, where every single productive activity needs to be environmentally conscious. Brazil has this major potential, says Freitas. But it needs to do more. "It has to do its homework to make better use of the region, training professionals and developing new technological routes", he concludes.



Federal University of Pará.

Copaíba is also used by Chamma da Amazônia, a company from Belém which makes cosmetics and perfumes, and has 13 franchises (mainly in airports). Chamma da Amazônia has just designated a representative in the US and is negotiating the opening of shops in Portugal, Spain, France, Germany and Arab countries. "The Amazon region is growing in fame, and foreigners are willing to pay more for products created in sustainable fashion", says Ana Sanches, commercial supervisor.

With an eye on this potential, Abihpec is currently investing in a project designed to identify the Amazon ingredients most suitable for cosmetics. The CBA will run the project, and will also determine the best processes for producing each one of them. "We expect to obtain our initial information before yearend", says João Carlos Basílio da Silva, CBA president.

In his opinion, demand for hygiene and beauty products made from natural ingredients will continue to grow. In less than 10 years, he estimates, these products will cease being merely a niche in the beauty and personal hygiene industry, and will account for 15-20% of the sector's global revenue, currently estimated at US\$340bn a year. This opportunity demands attention: "If Brazil isn't well positioned in this segment, other countries will be", warns João Carlos.



Amateur management, debts and little-known brands... Why the world's best football has failed to become a good business at home

JOSÉ RUY GANDRA AND MARCELO DAMATO

io de Janeiro's iconic Flamengo football team clinched the Brazilian title in December 2009 after a 15-year drought and the streets of Copacabana not to mention the hillside shanty towns - filled with a joyous riot of red and black. But stores selling football shirts saw no reason to smile. Walk into any sporting goods store around the world, be it Rio de Janeiro, Buenos Aires, Damascus, Cape Town or New Delhi, and the official canary-vellow shirt of Brazil's five-times world champion

national team will probably be on prominent display. Often, it's a top seller, and arguable the most fashionable item in global football. Certainly it's a top tourist souvenir for anyone visiting Brazil, and an object of desire for fans everywhere. But that's where it stops, because the merchandizing success of the Brazilian national team has yet to rub off on the country's clubs. Stores that stock the Brazilian national shirt probably also sell bleacherloads of shirts for teams such as Real Madrid, Milan and Manchester United, but top Brazilian teams

like Flamengo, Corinthians and São Paulo get the cold shoulder. It's one of the great paradoxes of Brazilian football today.

"Our Brazilian clubs have given up on internationalizing their brands," said businessman Walter de Mattos Jr., founder and president of the O Lance! daily sports paper. "If things worked like they should, fans all round the world would be clamoring for shirts of at least four or five Brazilian clubs." It's that paradox again. Brazil has the best and most creative football in the world, but it's still crawling when it comes to professionalization. Brazilian companies like Petrobras, Embraer, Gerdau and Vale enjoy international respect for their global reach and management skill, but Brazilian football wallows in an amateurish mire of debt, fis-



practices that are better reported on the crime pages.

There have been and still are attempts to burnish Brazil's favorite sport. But they tend to be shortlived. São Paulo FC had relatively the most success, while cross-town rivals Palmeiras is the latest club to try to improve. But the Palmeiras clean-up already shows signs of crashing up against the cultural and political limitations that always thwart would-be reformers of Brazilian football's stygian substrata. We'll come back to later to the reformers, both the frustrated and more or less successful. For now, it's important to note the most visible impact of this dissonance: the country that produces football stars by the plane-load can't stop them flying off to foreign fame. As soon as they

30,8 million

3st - América (MEX) 26,4 million

4st - Corinthians (BR) 23 million

∷ 5st - Boca Juniors (ARG) 16,4 million

16,3 million

7st - São Paulo (BR) 15,3 million

** 8st - Milan (ITA) 13,4 million

3 9st - Cruz Azul (MEX) 13,2 million

10st - River Plate (ARG) 13,2 million

12,3 million

13st - Gamba Osaka (JAP) 11,9 million

14st - Jubilo Iwata (JAP) 11.7 million

15st - Bayern de Munique (GER) 10,5 million

16st - Barcelona (SPAIN) 10,4 million

17st - Olympique de Marselha (FRA) 10,2 million

18st - Lyon (FRA) 9.6 million

19st - Internazionale (ITA) 9,3 million

20st - Werder Bremen (GER) 5./ million

Source: Lancenet

achieve any kind of name in Brazil, most are sold abroad. Many are sold as promising youth players, leaving even before they can become hometown heroes. President Luiz Inácio Lula da Silva, himself a staunch Corinthians fan, complained that "Brazil sees its youngsters leave when they're 17 and come back home to play when they're 32. They spend their best years abroad."

Brazil's Central Bank started registering the 'export' of athletes in 1992. Sales since then have exceeded US\$2 billion. Of the 1,776 players leaving Brazil in 2008, more than 40% (762) went to Europe, the top market, with 209 going to Portugal alone. But Brazilian players can now be found in just about every coun-

Patrícia Amorim: the challenge of running a football club

try – Vietnam, Azerbaijan, Japan, the United Arab Emirates, South Africa and Australia, to mention but a few. Many adopt local citizenship to play for national teams. They're becoming so common, warned Joseph Blatter, president of FIFA, the sport's international governing body, that some day "all the world's national teams will be composed just of Brazilians."

But is this good for Brazilian football? In the short term, it apparently is. "These sales help Brazilian clubs, most of which are buried in debt," said economist Elena Land-

au of Rio's Catholic University. A Botafogo fan, Landau is an outspoken critic of how Brazilian football is currently structured. "The problem is that we are simply exporting commodities," she said. A partner in the Sergio Bermudes

law firm, Landau is something of an expert. A decade ago she was hired by Atlético Mineiro FC to overhaul team management. But the project flopped because of internal bickering in the club.

Landau may use the jargon of an economist, but she hits the nail right on the head. Brazil is selling off its stars with a very low level of added value. Attacking midfielder Kaká, elected FIFA's best player in the world in 2007, was sold by São Paulo FC to Milan FC in 2003 for US\$8.25 million. Six years later Milan resold him to Real Madrid FC for no less than US\$100 million.

The profit of almost 1,200% led Italian Prime Minister Silvio Berlusconi, who also owns Milan FC, to rejoice that "Kaká was the best signing in our history." And he added, with his habitual subtlety, that Milan "bought him for peanuts." Sports journalist Juca Kfouri says "Brazil is totally short-sighted in this respect. Instead of exporting the show, we are exporting the artists." And Mattos Jr., of O Lance!, makes the following comparison: "It's as if Disney were to sell the world Mickey Mouse, instead of his cartoon films and theme parks."

It's incredible that Brazil should have made so little progress in an area where it enjoys globally recognized competitive advantages. Alvaro Antonio Cardoso de Souza,

a former president of Citibank in Brazil and today director of the Brazilian chapter of the WWF environmental NGO, argues that Brazil's backwardness has two causes. "The economy of Brazilian football has a very low level of transparency

compared to the financial or capital markets, which operate based on great openness," he said. "Obscure or weak management will generally frighten away serious investors."

The second problem, Souza said, lies in the obstacles Brazilian football faces in morphing from just a mass sport into also being an entertainment product. "This requires greater investment in security, cleanliness and comfort. In Europe, going to a football match is almost like going to the theater." But Souza sees grounds for hope: "Things are much better than 10 years ago, although there's a long way to go and progress is slow. We have to speed up.

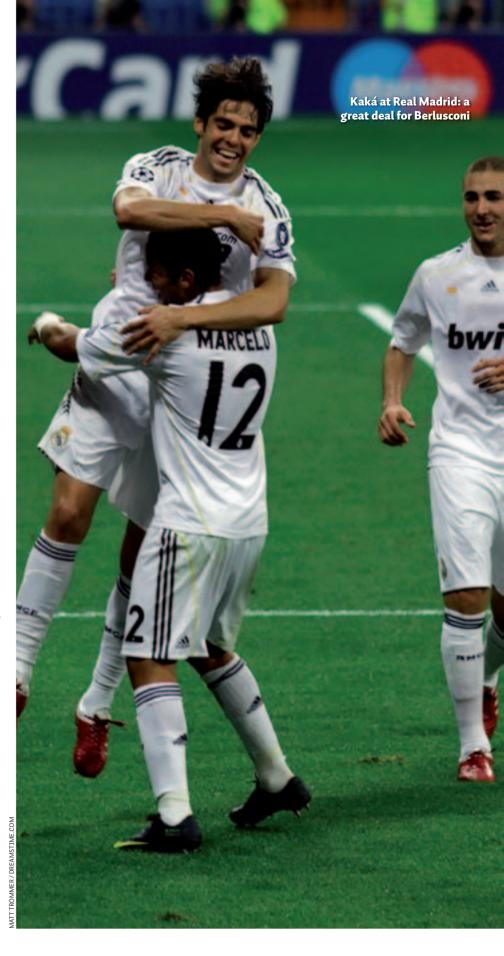
One reason for urging faster progress is that in 2014, Brazil will host the World Cup Finals – global football's premier competition.

If Disney was a
Brazilian club,
it would sell
Mickey instead
of his cartoon
strips

While this excites fans across the country, it also sets off warning bells for management specialists who are familiar with the national game. "Without some strong intervention from the government, going far beyond just building or renovating stadiums, the World Cup won't change anything," said Landau, the economist. "The government needs to lay down new rules to make Brazilian football and the official competitions more transparent."

Brazilian clubs are facing a situation similar to that of the world with global warming. Some of the sport's directors have woken up to the seriousness of the situation and are aware that major changes are needed in club management. But there are still disagreements. Decisions come slowly and are usually too timid to resolve the problem. "Clubs in Brazil are run like family concerns and invest without much logic," said Eduardo Goncalves, a star of Brazil's title-winning 1970 World Cup team and better known as Tostão. "In general, club bosses make changes only when they feel threatened with losing their power."

For Tostão, today a top sports columnist, the major problem is the political structure of the sport, based on the Brazilian Football Confederation (CBF) and the 27 state-level federations: "Those in power never change; they hang on to their positions thanks to a kind of devil's bargain." Criticism of the current structure is almost unanimous. "Football in Brazil is still a wonderful way to make money under the table," said Kfouri, while for Landau "the CBF is a virtually feudal organization, it's not representative and has zero transparency." Putting it in a nutshell: the greatest impediment to Brazilian football seeking a better future is





Brazilian football's own murky past.

It can't be denied that there's a qualitative change underway in the posture of some directors, albeit at only a few clubs. Subjects like fiscal responsibility and planning have gained importance for some boards. São Paulo FC was a pioneer in this movement back in the 1990s. "Even today São Paulo is the main benchmark for Brazil's clubs," said Landau. The team's successful professionalization of its activities – yielding three Brazilian championships and one world clubs title just this decade – can be debited to three

São Paulo FC

is still a

Brazilian

benchmark

for professional

management

main factors. The first is stability in the management model. "The election of a new club president changes things very little," said Adalberto Baptista, São Paulo's vice-president for marketing. Next comes separation of the club's busi-

ness into three areas: professional football; stadium management and club social activities. "Each of these has to make its own profit, because the money from one side cannot be used to bail out the other," he said. The third factor, last but not least, is

transparency in club numbers and financial reporting.

Another fact giving cause for hope in 2009 was the election as president of Palmeiras FC of Luiz Gonzaga Belluzzo, an economics professor at the prestigious Unicamp university. Belluzzo became an overnight popularity phenomenon – something not very common for a Brazilian football club boss. He was seen as a harbinger of hope for modernization at a club that, over the last three decades, spent long periods in the wilderness. Palmeiras' last national titles came in 1993 and

'94, when it was associated with Italian milk giant Parmalat. This year Palmeiras initially led the Brazilian championship with ease, but threw it away and ended up fifth. That slip-up was sufficient to undermine all the new strategy. Belluzzo

lost his cool after a crucial game, insulted the referee and was handed a nine-month suspension by Brazil's top sports regulatory body.

Even with Belluzzo sidelined, his project to reform Palmeiras continues along its market-driven track.

"In the first place, clubs must learn to exploit their huge potential, because their millions of fans are also consumers," Belluzzo said. On the other hand, there must be rational management. "A club can't spend more than it brings in, and it must invest efficiently. It's unacceptable to hire a player and then discover a month later than he's no good. And finally, transparency is a must."

Thanks to his reputation, Belluzzo has become a leader among the clubs for a major financial reorganization project. He heads up a commission within the Club of 13 - a grouping of Brazilian's biggest football clubs - that seeks to put together a wide-ranging proposal to professionalize the sport. When ready, it will be negotiated with the federal government. The basic idea is to create rules that prevent clubs accumulating debts, and at the same time renegotiate existing debts of around R\$2 billion - just over US\$1 billion at current exchange rates. Much of the money would come from a generous credit line from the governmentrun Brazilian Development Bank (BNDES), and many economists compare it to the Proer program that the federal government used to stabilize the financial system after the end of hyperinflation in 1994.



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"There has to be commitment on both sides," Belluzzo said. "The government must recognize the importance of football for the country and accept refinancing the debts via the BNDES so that the clubs can regain

viability." For their part, the clubs would commit to spending only what they earn. "If the deficit persists, there's no point in refinancing the debt," he said.

One of Belluzzo's main projects is modernizing the Palmeiras stadium complex, called Palestra Itália. It would be a total upgrade, not just of the stadium itself but also the substantial adjacent area destined to club members. New construction involves buildings with courts and sporting and administrative facilities, which for decades have been wedged precariously under the grandstand. The project is budgeted at around R\$300 million, some US\$170 million, to be fully financed

Manchester United wins fans in Asia, who then become brand consumers

by the WTorre construction company which will then co-manage the revamped stadium for 30 years. Palmeiras will gain some additional income now, rising in the future when the stadium

reverts to its sole control.

Following the trend of American stadiums, the new Arena Palestra was designed to maximize profitability. That applies both to match days, with VIP boxes and other high-price areas, food halls, entertainment and shopping, all of which are unheard-of in Brazil, and also to non-match days when multi-use rooms and auditoriums will be able to house meetings and events of various types. In addition the stadium will have a large garage building catering to non-stadium customers during regular commercial hours. All parts of the new stadium have been designed to receive sponsorship, starting with the overall name

of the complex and including each of the individual areas. The grandstand behind one of the goals, for example, could carry the name of a car maker, while the opposing stand might be named for a pharmaceutical company.

Recent years have brought some good news, albeit not enough. One is growing average club revenue. Still modest by international standards, this has been rising steadily. In the last 12 years the annual TV rights for the Brazilian championship, the clubs' largest source of revenue, has jumped from US\$20 million to US\$170 million.

"Comparatively it's still very little," said newspaper boss Mattos Jr. "Brazilian (first division) clubs get an average of US\$10 million each (per year) from TV rights; in English football it's 10 times more." Even so, the business of football is advancing. New products like transmission via pay-per-view TV are achieving unheralded profitability. In the coming years the clubs plan boosting income further by offering



matches via new platforms like cellular phones and the internet.

Sponsorship value has risen still further. In 1995 the largest contract in the sector was Flamengo's roughly US\$500,000 a year from Petrobras. Today it's the roughly US\$17 million a year that Corinthians collects from the various brands plastered over its shirt. Mid-seized European clubs often get less. Palmeiras now receives 50% more than Italian club Fiorentina to wear a company logo on its shirt. Ticket sales have also risen substantially, in particular in the city of São Paulo. During more than a decade when entrance prices were often pegged the net result of ticket sales less game expenses was frequently negative. The fans were a kind of necessary evil.

For the clubs, full stadiums above all mean more muscle to negotiate better TV contracts. These in turn mean the chance to push up sponsorship money. Six years ago a grandstand ticket to a major game involving São Paulo teams cost around US\$3. Today it's US\$17, and

is likely to reach US\$30 (R\$50) at Corinthians games in the next Libertadores Cup – the prestigious South American clubs championship. Obviously the overvaluation of the Brazilian real currency against the US dollar has helped boost revenues, when expressed in that currency.

But it is still possible (and necessary) to generate much more revenue. "Brazilian teams need to find other sources of income," said financial analyst Amir Somoggi, who works for the Brazilian branch of the US auditing firm Crowe Hor-

wath RCS, one of the world's 10 largest. One area where Brazilian clubs slip up is selling licensed products. But even here, there's been progress. In 2005 Corinthians earned less than R\$450,000 from licensing; in 2010 the club should net over R\$10 million. That's

still very little compared with Europe. Barcelona's professional man-

384.8 million in the 2007-08 season, of which 117.4 million came from marketing. And bear in mind that Barcelona considers its team shirt to be sacrosanct. The only name appearing is that of Unicef, the UN Children's Fund, which

agement team helped the club earn

doesn't pay, it receives 1.5 million a vear from the club.

Old World looks even wider when fans are taken into account. Flamengo, for example, today has the

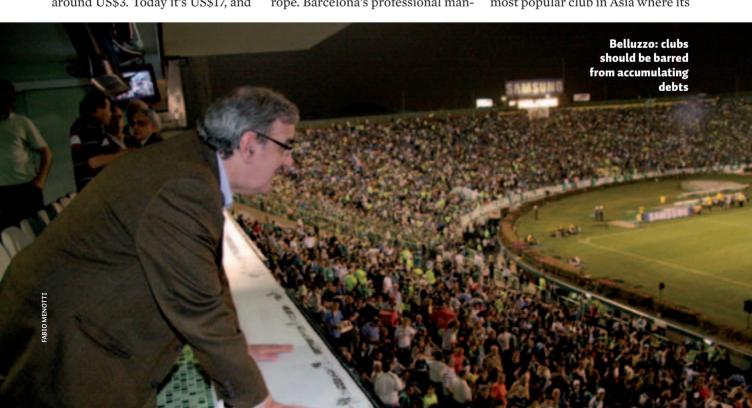
The gulf between Brazil and the

largest fan following in the world at

32.6 million (see table). In other words. the club has almost as many followers as the population of Spain. "A figure like that is an extraordinary brand asset in any part of the world," said Mattos Jr. "Manchester United has just 4.2

million fans in England, but it's the most popular club in Asia where its

Brazilian clubs' debts have grown in line with their revenues



Cover Story



games attract large audiences and where people buy its products in great quantity." Who knows, maybe now with the Brazilian title under its belt and having just elected the first woman president in its history, former Olympic swimmer Patricia Amorim, Flamengo's luck might change. But Amorim sees problems ahead. First is the male chauvinism that dominates Brazilian football.

"People underestimate my capacity to manage football but I will prove them wrong," she said in her first interview after being elected.

Sadly, the increase in revenues in not translating into an equivalent improvement in the situation of the clubs. On the contrary, with rare exceptions they have to rely on bank loans to meet urgent obligations and honor existing debts. In

most cases, however, and no matter how professional the current administration, they are saddled with a heavy burden of past debts. The BIC and Banif banks are today the leading source of financing for clubs, which give in guarantee their share of TV rights to be paid by the Globo television company. "This is amateurish administration, without the slightest notion of sustainability," said Landau, the economist. "If they could escape from their debt servicing payments, the great majority of Brazilian clubs would today be making a profit," said Paulo Vinícius Coelho, a columnist for the Folha de S.Paulo newspaper.

The only solution, in the opinion of virtually all specialists, is for clubs to cease to be a perpetual source of harmful political machination and become companies. "The president of Corinthians should have the same salary as the CEO of a multinational company, with a bonus for winning titles and commission on the sale of players," said columnist Kfouri.

MEANWHILE, IN EUROPE...

WHENEVER BAR-TABLE TALK

turns to big-money football, Europe is the number one subject, in particular thanks to its glittering Champions League. It's the world's leading clubs competition, not just for the quality of the teams but for the vast sums paid in prize money and for television rights. According to this logic the four richest clubs in the world right now would be Real Madrid, Barcelona, Manchester United and Chelsea, all of which have annual budgets exceeding €300 million. These clubs are very

efficient at raking in the revenue from four main sources: TV rights, stadium ticket sales, product licensing and sponsorship.

When the bills are added up, however, the truth is somewhat different. Just like their Brazilian counterparts, most of the big European clubs are wallowing in debt. That's particularly true for clubs in England, Spain and Italy. Together, the four largest English clubs have debts of over €1 billion. And with the exception of Barcelona, virtually all first division Spanish clubs face the same pro-

blem. Even Real Madrid, which spent over €200 million in new signings during the 2009 season, now has debts of over €550 million compared with annual revenues of around €350 million.

UEFA (the Union des Associations Européennes de Football) and the European Club Association (ECA) are likely to introduce a series of disciplinary measures starting next season to try to control the situation. The aim is to demand greater fiscal control and transparency for first division teams. They will be forbidden to delay paying players' wages, transfer fees, taxes and labor

THE CONCENTIAL AT ME CONCENT

But such a giant leap still seems impossible for the majority of Brazilian clubs.

Decades of amateur management can't be wiped away overnight. Under current legislation, amongst other privi-

leges clubs cannot be declared bankrupt and they enjoy generous exemptions from tax and labor benefits. Even so, most don't pay what tax they do owe. They have built up huge debts for taxes and unpaid labor benefits, and the government at all levels has never shown much interest in trying to collect. "The government has get behind these changes and set new rules," said Landau, while businessman Mattos Jr. goes further: "The federal government should use the fact that these clubs are bankrupt and be instrumental in forcing them to become companies."

As long as that fails to happen,

Private groups are starting to take an interest in the business of football

individual initiatives will blossom to fill the void. The major Pão de Açúcar supermarket group, apparently little connected with the sport, has made ventures into football. Acting on a request from its

principal shareholder, Abílio Diniz, in 2003 the group created a football project within the employees' club, the Pão de Açúcar Esporte Clube (Paec). This holds regular talent contests throughout the country to discover promising youngsters – one such attracted 72,000 hopefuls. The club has put together various youth teams and, as time passed, formed a professional team. In 2010 this will play in the São Paulo State second division. According to Fernando Soleiro, president of Paec, the plan

is to make its most promising players available to major teams like São Paulo for free, but retaining the right to 50% of revenue from any future sale.

In a final, supreme and slightly humiliating example, Milan FC makes a tidy revenue from Brazilian football. The Italian team makes its brand available for 11 holiday camps for children and young people located in 11 Brazilian state capitals. At the Milan Junior Camps, as they are called, the kids spend a week playing football under the watchful eye of professionals - and, of course, the kids buy team products. Milan might be a foreign team, but it's beloved of many Brazilians. It seems Brazilians still have a lot to learn from the Europeans.

* Adriana Setti in Barcelona contributed to this story

benefits. FIFA is adopting these rules to apply in most of South America starting 2011 and Brazil as of 2012.

Another regulation called Financial Fair Play will bar clubs from running deficits for more than three consecutive years. This means that the next decade could see renewed competitiveness of clubs from Germany and France which tend to be the most financially healthy in Europe. They might not earn as much as their Italian, English and Spanish rivals, but at least they manage the rare feat of living within their means.





"We have woken up to internationalization"

Alessandro Teixeira, head of the main agency promoting Brazilian companies abroad, says that internationalization of the productive sector has finally become part of government policy. While 2009 was a slow year, Teixeira sees Brazilian multinationals tripling their external investments through the next decade.

NELY CAIXETA

ou could call him Brazil's unofficial commercial ambassador. As the head of Apex-Brasil, the Brazilian Trade and Investment Promotion Agency, and also of the World Association of Investment Promotion Agencies (Waipa), Alessandro Teixeira travels the globe with a double mission: promoting exports of Brazilian goods and services, and attracting foreign investment. Wherever he goes, he takes along a tailor-made present - a book of Brazilian history, so that whoever he meets can see where Brazil is coming from, and where it's going. "We've been open to foreign trade for less than 20 years so we're new kids on the block, but already we're performing like an old-timer," said Teixeira, who hails from the southern state of Rio Grande do Sul and holds a doctorate in economics from Sussex University, in England.

Teixeira is betting that Brazil's multinational companies have now reached the point of maturity where the country will be investing US\$70 billion abroad in 10 years' time - triple the amount seen in 2008, which was a record for the sector. He uses

Chinese data to argue that Brazil and China are now at similar levels of internationalization. "A little bit more, in the case of China," he says. Teixeira sees China as Brazil's next great leap forward - Apex-Brasil opened a business center in Beijing seven months ago, and Brazil's biggest-ever foreign trade fair participation is scheduled for Expo Shanghai 2010. It's a strategic moment for Brazil to stake out its position in the Asian market.

But Teixeira isn't looking just at emerging economies. The Apex-Brasil unit in Cuba opened a month ago and already has six Brazilian companies ready to invest. It's one of the world's most closed economies, but the welcome mat is out for Brazil.

How do you rate the performance of Brazilian companies abroad?

The figures for Brazil are truly im-

In 10 years we'll triple our investments abroad. I expect we will reach US\$70 billion

pressive. The country hardly invested anything abroad until 2002, and internationalization of the Brazilian economy really started at the end of 2003. That was when we took the plunge. Until then, foreign investments by Brazilian companies averaged less than US\$1 billion a year. In 2008 they reached US\$21 billion. For 2009, I reckon we'll be doing well if we manage between US\$8 billion and US\$10 billion.

Is that the impact of the financial

According to Waipa, the global flow of foreign direct investment (FDI) looks set to fall by around 40% this vear, against a record of US\$1.8 trillion in 2008. We expect to reach US\$1.2 trillion this year and US\$1.5 trillion in 2010.

What opportunities do you see for Brazilian companies in this new postcrisis world? Given the rapid recovery of the Brazilian economy, it has been suggested that the government could use part of the country's foreign exchange reserves to stimulate the internationalization of Brazilian companies. How are discussions going?

We're talking about various possi-

bilities. There was a debate about using part of the reserves back in May of 2008 when Finance Minister Guido Mantega announced the government would use resources from the federal budget to create Brazil's Sovereign Fund, which has the same purpose. There's a new awareness about the importance of our companies investing abroad. Internationalization has a very positive long-term impact for an economy; it goes way beyond simply attracting investment. Of course investments are good for the country that receives them, but they're even better for the investor. If Brazil really wants to be one of the world's five largest economies in the coming years, it has to internationalize and strengthen Brazilian companies. Then we'll see the emergence of a wave of entrepreneurs looking to overseas markets. Internationalization is and will continue to be an innovative policy of the Brazilian government, and it will grow stronger. Of course, I can only speak for the current government, but I imagine that future administrations will have to continue along the same path.

Brazil is enjoying a much higher profile in international forums. Is this image excessive in terms of our companies' presence abroad?

I wouldn't say so. The same movement happened with China, which is now being described as the world's second largest economy. China received around US\$92 billion in foreign investment in 2008 and invested US\$51 billion abroad. This relationship is very similar to Brazil – roughly 50%. A little more, in the case of China. This shows that the two emerging economies are at similar stages in their processes of internationalization, relatively speaking.

But for this new international status of Brazil to be consolidated, doesn't it require more companies that are robust and identified with the country? Well, that's already happening. Brazil has some big companies, for example Gerdau, Vale, Embraer, Votorantim and the major construction companies. These are already

Would you include Inbev?

associated with Brazil.

I would, because the directors, the managers and all the middle management are Brazilian. It is seen around the world, more and more, as a Brazilian company. American newspapers refer to it as a Brazilian Beverage Company, and the Europeans as well. We are going to need more and more companies established abroad. This brings us to the important question of Brazil's commercial image, which is not something that can be built up just by the government. We need companies that reflect the country's commercial sector, and that's what we've got today.

What is the role of Apex-Brasil in identifying commercial opportunities abroad?

The Apex-Brasil centers are effectively incubators for internationalization. Just now for example we have around 130 mid-sized companies in our office in the United States. They're registered there as American companies, and

If Brazil really wants to be a major (economic) power, it has to internationalize and strengthen Brazilian companies

really they're going through the first stage of internationalization. When Apex-Brasil set up these offices it did not have the international reach that it has today, as the world's second best agency in terms of inward investment. We enjoy international respect. We conduct market and investment studies and promote business and distribution workshops, but each center enjoys operational flexibility. In Brussels we will undertake technical lobbying of the European Union, with respect to both investments and exports. Our goal is to generate business, be it in the form of investment or foreign trade.

Can you give some concrete examples?

Well, for example we conducted the internationalization process of Giraffa's, a Brasília-based fast food chain that is due to open in the American market next year. I'm a big fan of Giraffa's, I eat there every day. The meat is excellent and the beans are always hot. Americans will soon be able to go there and pay US\$6 for rice, beans, meat and manioc flour... and fried banana. It's not a top-line restaurant, of course, but it's better than any other fast-food. We also helped Habib's (another Brazilian fast-food chain specializing in Arab-style food) to go international; it will have 10 outlets in China. When we opened the Apex-Brasil center in China, some people said: "There's no possibility whatsoever in China." Well, one year later we've shown them to be wrong.

What does Cuba offer Brazilian companies?

It's a great option as a foreign trade platform. We are working with six investments there including EMS, one of the biggest Brazilian pharmaceutical companies. The company worked hard to expand its production and it needed to boost its technology. Cuba is completely closed to the pharmaceutical market but it's one of the best markets in terms of innovation and technological development in the sector. There was a huge line of companies wanting to get in - Indian and Chinese companies. But we were the first, not just to produce medicines in Cuba but also to transfer technology. And this will undoubtedly improve the position of EMS in Brazil, Fanavid is another example; it's a mid-sized producer of glass products in Brazil that's investing US\$150 million in partnership with the Cuban government to set up a factory in the country. If Fanavid was alone, it would probably not have been able to get into the market.

Various sectors of the government are gearing up to promote internationalization. IPEA (a federal economic research institute and think-tank) recently announced it is creating an international directorate to study the process. Inmetro (the national metrology institute) is also involved, as are Embrapa (the federal agriculture research agency) and the Brazilian Development Bank (BNDES), which has just opened offices in London and Montevideo. It seems that the government has woken up to the importance of a multi-pronged, coordinated action?

That's exactly it. Inmetro is helping companies to position themselves more adequately in the process of internationalization by adapting their products, standardizing production and innovation. For example – maybe a company needs to conduct a chemical test of a specific product because it can only enter a specific market if it has these docu-

If Brazilian businessmen understood China, we would already have our own strategy to work with instead of complaining.

ments. Well, Inmetro can do that. And IPEA provides data and economic intelligence for the process. The critical point about internationalization today, in my opinion, is less to do with information and more about financial support for the internationalization process.

That takes us back to the question of Brazil's foreign exchange reserves. How can they be used to promote internationalization?

There are various options, and we are likely to finalize a more concise proposal in the coming months. But what matters here is that the government has woken up to the need to have a specific policy for this. I don't like to plagiarize the president, but for the first time in the history of this country we going to have a policy of internationalization for the productive sector, and this policy will become stronger and stronger.

Where do you think Brazilian internationalization will be in 10 years time?

In 10 years we'll triple our investments abroad. I expect Brazil to reach US\$70 billion a year of outward FDI. I also expect to see companies that are easily recognized as being Brazilian. Internationalization of Brazilian companies started with the engineering sector, and the *modus operandi* of this market is extremely valuable. We have helped

and also learned from these companies. Today Odebrecht is taking over 1,000 Brazilian products to Africa, including boots, helmets, and trousers. One of the best case studies of internationalization in the Brazilian foods sector is the supermarket chain that Odebrecth has in Luanda, in Angola.

Which sectors do you see as particularly promising for internationalization?

Brazil has the potential to become established in various sectors. One that I would bet on is communications, advertising companies. This area is certainly going to be more and more internationalized, thanks to the competence of Brazilian firms. Nizan Guanaes (of the ABC group) already has some companies in the United States. He takes Brazilian culture right into the company. He grew in Brazil, gained strength in Brazil. Now he's looking at the market and saving to himself - "I have to go to the United States, that's where I'll compete."

What is Brazil preparing for Expo Shanghai, in 2010?

It will be Brazil's biggest-ever trade fair presentation. We want to use it to push internationalization. I'm not talking just about a stand that looks good; it will have an impact from the business point of view. China is today the world's biggest and fastest-growing capitalist country, with the fastest job creation. I wouldn't bet - I don't think anybody could - on how the future will play out in China, because few people understand China adequately. In fact, Brazil doesn't understand. If Brazilian businessmen understood China, we would already have our own strategy to work with instead of complaining.



or several decades, Brazilians have heard (and often believed) that Brazil was "the country of the future" - and always would be. This is now a thing of the past. Judging by international opinion, represented by some of the world's most influential publications, this future has already arrived. In the last few months of the year, Brazil was front page of The Economist, had a 10-page spread in the Financial Times and is a constant topic of discussion in prominent newspapers such as The New York Times and El País. In addition to this international press attention, Pre-

sident Lula has received the Woodrow Wilson Public Service award, in New York, for "services provided to democracy". And in London, he received another prestigious award,

from Chatham House, for his "contribution to international relations". Lula also ranked 33rd out of 67 people selected by Forbes as the world's most influential individuals.

So, what does all this mean in terms of real power and influence in the world? This is precisely the question that a book recently launched in the US tries to answer – a question exposed ever since publication of Brazil as an economic superpower?*

The
foundations of
Brazil's growth
are now much
more solid
than in the
so-called
"economic
miracle" years

by the Brookings Institution, a liberal think tank from Washington. The book, launched at the World Bank's headquarters in Washington, featured the contributions of specialists from various institutions to discuss Brazil's role in the global eco-



nomy today and in the future. The book contains a series of studies on various topics: Brazil's leading role in agribusiness and renewable energy, changes and trends in current commercial policies, the growing presence of large Brazilian companies abroad and the impact of social policies aimed at achieving better income distribution.

In the book, the answer to the title's question and Brazil's current status are left up in the air. "It all depends on your definition of a superpower", says Leonardo Martinez-Diaz, director of the Center of Economic Development of the Brookings Institute and co-editor.

He believes Brazil is on the right path. "In terms of its influence on the global economy and on the emerging centers of economic

decision-taking, Brazil is indeed on the right path to consolidating itself as a superpower", he says.

However, according to Martinez-Díaz, continued growth in Brazil's influence on these two spheres will depend on the private sector's ability to capitalize on new opportunities and on the government's capacity to continue pursuing Brazil's increased global economic integration. As examples of well-exploited

opportunities, Martinez cites Petrobras' development of deepwater offshore oil exploration technology, Odebrecht's expansion of its international businesses and some recent trends in the bank sector – with Itaú Unibanco's continued strengthening of its global strategy and Banco do Brasil's blossoming into a regional player.

The book also discusses the possible paths for Brazil to strengthen its process of global economic integration. In the opinion of some analysts, while the strategy of prioritizing agreements with developing countries, strengthening South-South relations, may make political sense, it is questionable from an economic standpoint. In his text, the economist Mauricio Moreira Mesquita (director of the

Inter-American Development Bank's - IDB - research department) says that, due to this strategy, Brazil ends up paying a higher cost than other countries (such as China and India) to gain a foothold in the biggest markets of the Northern Hemisphere. Mesquita advises Brazil to reduce and rationalize its tariff protection

system. According to him, the nominal import tariff rates imposed by Brazil are much higher than those adopted by other emerging markets such as China and Mexico.

The book recalls that Brazil's potential had already surfaced in the past (e.g. in the period known as the

^{*}The book Brazil as an Economic Super Power?, of 291 pages, is edited by the Brookings Institution Press

"economic miracle" of the 1970s), but that Brazil didn't become a global power. However, according to Martinez-Díaz, this time around the current mood of optimism is justified by the fact that there are stronger foundations supporting this progress. "A stable democracy and its recent track record of low in-

Institutional

stability

and a solid

democracy are

Brazil's aces up

the sleeve

flation and conservative macroeconomic management have ensured that Brazil is now more integrated into the global economy than at any other time in the past 40 years", he says.

Another new piece of data is the sus-

tained increase in income levels of the poorest strands of Brazil's population. This persistent decline in inequality has occurred in both periods of growth and no growth. "This feature reflects a combination of macroeconomic policies that have led to stability, and growth with social policies of income transfer, such as the Family Allowance program - which bring enormous benefits at relatively low costs", according to Bruno Saraiva, chief economist of the IDB's Southern Cone Department. The per capita income of the poorest 10% of the Brazilian population posted a CAGR of 57% in the period 2001-2006, versus 6.7% for the richest 10%.

This optimism is supported by other factors, despite the fact that Brazil's 'superpower' status still seems a long way off. As the tenth largest global economy, Brazil is currently the driving force behind the economic recovery in Latin America. Between 2008 and 2009, it received investment grade rating from the world's three largest rating agencies. In the political arena,

Brazil is a prominent member of groups such as G-8 and G-20, and is a staunch advocate of emerging markets' greater influence in the IMF and World Bank. Brazil has also been pulling its weight in the group of the so-called BRICs, the name of the quartet formed by Brazil, Russia, India and China – seen as the

main promises of the next few decades (by the year 2050, these countries are expected to potentially become the largest global economies).

When the BRICs group was created, Brazil's inclusion was frowned upon by

many observers. The doubts weren't so much to do with Brazil's potential, but rather the accuracy of the concept. "The term BRIC grouped together countries with enormous differences", argues James Ferrer, founder and director of the Center for Latin-American Studies of George Washington University. However, Saraiva, from the IDB,likes the term. "BRICs led the world to reassess the role of developing countries on the international scene", he says.

One way or another, today Brazil is a leading member of this group. Analysts highlight the superiority of the Brazilian democracy, seen as an advantage for the country. Also, China and Brazil are going in opposite directions in terms of inequality - which is rising in China and falling in Brazil. Other analyses stress that, since Brazil has already undergone the industrialization and urbanization processes currently driving growth in China and India, a direct comparison of GDP growth rates (which are much more explosive in China's case) are an unfair evaluation criterio n.

There is also a consensus that the new international status quo.



in the economic and political spheres, is extremely favorable for Brazil. Growth of the middle class in countries such as China and India should remain supportive of rising demand for agricultural products and other Brazilian commodities, according to the Brookings Institution. The debate on climate changes should also boost the bio-fuels and hydro energy industries, sectors in which Brazil is already a major player. Today, 46% of the energy consumed in Brazil comes from renewable sources, versus a global average of 13% and 6% in OECD countries.

"Brazil always wanted to be a leader, but this desire was always more a case of talk rather than action. Today, with the policies that it has been adopting, it is now starting to truly fulfill this promise", says Ferrer. "Now, Brazil needs to positively use its leadership to influence other nations." Many countries, especially from Latin America, see Brazil's





growth as an opportunity, due to the size of its market. In 2008, Brazilian exports to Latin America represented 20% of total exports, versus 10% a decade ago (1998).

However, other countries see Brazil as a competitor, with Ferrer saving that Brazil's leadership in Latin America is sparking envy in certain neighboring countries - especially those with different political and development visions. This is the case of Hugo Chávez's Venezuela, which is also looking to expand its influence on the continent. Analysts highlight the importance of Brazil's leadership triggering a change in the US government's stance vis-à-vis Latin America's geopolitical structure. In an article published in the September edition of the Economia Brasileira magazine, the diplomat Sebastião do Rego Barros says the opposition between Brazil's growing importance and the arrival of Hugo Chavez's bolivarianismo is preventing the White House from applying any simplistic views to Brazil.

Brazil currently boasts not just greater capacity of economic and political leadership but, mainly, institutional stability – an essential component of the new, less interventionist, US strategy for Latin America. "Brazil now has a great opportunity to establish itself as a power – and this is a good thing for the US as it brings stability to South America", says Republican Devin Nunes, one of the co-chairme n of Brazil Caucus, a congressional group created several years ago by the Brazilian Embassy in Washington, currently comprising over 30 congressmen.

Becoming a superpower is something that will depend, among other things, on how Brazil will handle the obstacles still in its path, such as its infrastructure deficit, social inequality and pending institutional reforms. "Brazil will have to face up to these challenges while, at the same time, preserving its macroeconomic stability, pursuing responsible and pragmatic management that doesn't create an environment of unnecessary risks", says Saraiva. "These questions are crucial in terms of Brazil achieving its full potential." It is thus up to Brazil itself to determine the magnitude and importance that it plans to have in the future.

The magical moment



Brazil's successful emergence from the global crisis has presented another challenge: how to handle the success. We can't turn a blind eye to the agenda of reforms needed for Brazil to continue growing over the next few decades

OCTAVIO DE BARROS *

razil, elected by the popular vote of global investors as the country that decoupled from the rest of world in the postcrisis phase, is now faced with the unexpected: success. If you'll excuse us and let us mix metaphors, Brazil is flying in clear blue skies but sailing in unchartered waters. In other words, this is all a bit new to us and we are feeling a bit uneasy with the new situation. How, then, do we handle the success? This challenge applies to today's Brazil and, to a certain extent, to all countries in a healthy state of affairs.

To be honest, Brazil is a past master of crises. We have been through

so many that we are experts on the subject., For decades, we have managed chronic crises, giving us know-how. We know how to react and, in an emergency, we don't panic: we do what has to be done, whoever is running the country. Now, just when everything seems to be going well, we are acting somewhat clumsily. Sometimes, we don't know how to react. We now find ourselves in the paradoxical situation where we are asking ourselves: do we stay on our current course or do we completely overhaul economic policy?

President Lula coined the term "magical moment" to describe the convergence of factors that have led the world to recognize that Bra-

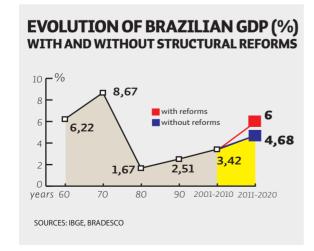
zil has truly acquired a new status. He intuitively captured the favorable wave that Brazil is surfing. "Decoupling" is no longer a word frowned upon in social circles. Those who expected the post-crisis world to be diametrically different to the pre-crisis one were clearly way off the mark. In the current phase, we are simply re-embarking

on the path in place up until September 2008, when the economy was growing strongly. Thus, Brazil has joined an elite group of countries posting robust expansion, and is expected to record GDP growth of some 6% in 2010.

We economists already thought, before the global market collapse, that Brazil was in a much better condition to face an adverse global situation - but we had no way of proving our theory. The crisis thus helped us in this sense. Although its initial impacts were severe, Brazil quickly overcame the crisis. While there are several reasons for this, the most important was 15 consecutive vears of macroeconomic maturation. Thus, we are talking about a cumulative process which is down to continuation of undeniably successful macroeconomic management.

The timely measures taken by the Brazilian Central Bank and the government were a great help in mitigating the impacts of the crisis. But their effects would have been tempered if Brazil's fundamentals hadn't been so solid - again, reflecting years of maturation (both economically and politically). In net terms, we have been right more than we have been wrong in the past 15 years. This explains why Brazil now enjoys abundant capital flows - on the expectation that a more transparent, disciplined economy, in the environment of a democracy considered one of the best among emerging markets, could be a safe haven for long-term capital.

A lack of other global alternatives also explains why Brazil has become a focus of global business



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interest. In other words, Brazil has improved in absolute terms, but in relative terms, it has improved even more. Other countries have gone backwards. Brazil's success in being chosen to host the 2016 Olympics was no coincidence. It reflects this cumulative process of maturation and, thus, the new economic and geopolitical role acquired by Brazil globally. A similar process occurred when Peking was chosen in 2001 to host the 2008 Olympics. It was a case of the world identifying a new global heavyweight player.

But we know that success has side-effects. Spectacular GDP growth, such as that expected for Brazil in 2010, brings dangers that we must focus on. We must ask ourselves if it is worth forcing, in fiscal terms, much greater growth than what we are capable of sustaining. Firstly, we have to recognize that all this growth, by definition, requires financing, and that this financing will likely come from external fronts. We can't fool ourselves; Brazil still hasn't learned how to save. The public sector is in deficit territory and intense social mobility

doesn't encourage saving by Brazilian households. We can't finance this growth without running up mega external account deficits.

This means that, as a consequence, the Brazilian real should remain strong. In this chapter, there is no magic involved. Even though we believe Brazil will be able to comfor-

How do we handle the success? Brazil is a past master of crises

tably finance these deficits, it's worth remembering that "magical moments" are fleeting, while crises are recurring. Any stumbles in the global scenario – e.g. uncertainties in China where Brazil is heavily involved or doubts on the continuity of the macroeconomic policies of the last 15 years – could abruptly interrupt this (currently abundant) financing. We have to strengthen our capacity to finance ourselves domestically in the future.

The best course of action would be to maintain a certain distance in relation to the current mood of euphoria. We shouldn't fool ourselves and forget the giant national agenda of reforms that could, in the medium and long term, lead Brazil to post annual GDP growth rates of 6% without depending on merely magical moments. At the end of the day, Brazil is faced with challenges in education, infrastructure, in tax, labor, social security and legal reforms and in resolving the endless, inextricable web of high transaction costs undermining Brazil's competitive capacity. Now, with favorable winds, it's the right time to face up to these challenges.

^{*} Octav io de Barros is director of Economic Research and Studies of Bradesco and organizer, with Fabio Giambaigi, of the book "Brazil Post-Crisis: agenda for the next decade" (Editora Campus). The book features articles, among other things, by Delfim Netto, José Sergio Gabrielli, Luiz Carlos Mendonça de Barros, Sergio Besserman, Francisco Dornelles. Armando Castellar, Gustavo Loyola, José Marcio Camargo, Wilson Ferreira and Glauco Arbix. Copyright was donated to Fundação Pro-Criança Cardíaca in Rio de Janeiro.

Lessons from a twin city

What Rio can learn from Barcelona as it gets ready to host the Olympics

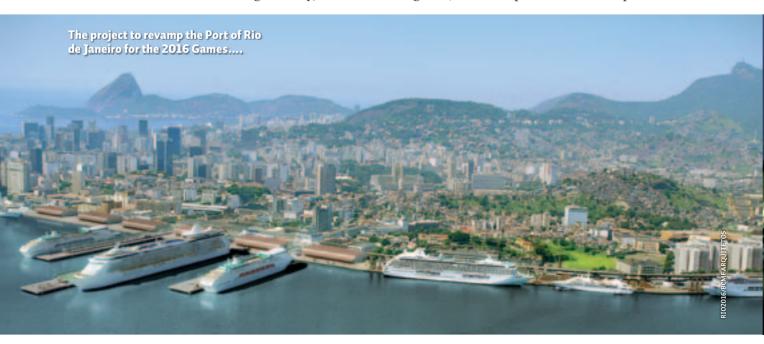
ADRIANA SETTI, BARCELONA

econds after IOC supremo Jacques Rogge announced on 2 October, in Copenhagen, that Rio would host the 2016 Olympics, loud fireworks were heard in an unlikely place: Spain, the country whose capital city (Madrid) saw its dream to host the Games go

up in smoke, in the final round of voting, due to Rio's seductive charms. And they weren't Brazilian emigrants celebrating the victory, but rather people from Barcelona, relieved to see their eternal rival miss out, for the second time in a row. Madrid also bid (unsuccessfully) to host the 2012 games, when

London came out on top.

Host of the 1992 Games, Barcelona maintained its Olympic exclusivity in Spanish territory, something very dear to Catalan national pride – which, by the way, should never be underestimated. Catalonia sees itself as a nation apart in the colorful Spanish ethnic and political lands-



cape, and the Catalans, rightfully so, remain fiercely proud to have hosted the Games that many consider the best of all time. "The transformations made in the city in preparation for the Olympics began to be seen as a model for other countries seeking to initiate large-scale urban revitalization processes", says Stephen Essex, head of Geography at the University of Plymouth (UK), and author of the "Urban transformation from hosting the Olympic Games" study.

Catalonia's excellence in converting Barcelona into the perfect stage for the world's biggest sporting event and, above all, its capacity to put the investments at work for its own benefit (the main challenge

of any host city), is an obvious inspiration for any city looking to follow suit. The Catalan model is in fact particularly attractive for Rio de Janeiro – which urgently needs to improve the quality of life of its po-

pulation and become more attractive to the rest of the world. The pre-Olympics Barcelona had many things in common with

Barcelona is

seen as an

example of

successful

urban

renovation

Rio, beyond the fact that both are coastal cities, renowned for their hedonism and celebrations.

The projects that must be concluded in Rio just over 2,400 days from now include a monumental

double-lane highway arch, expanding the city's subway (which should reach Barra da Tijuca), reforming the Galeão airport, depolluting Guanabara Bay and Rodrigo de Freitas River, building

an Olympic Village and facilities such as gyms, swimming pools and other Olympic facilities, plus endless other smaller adjustments. The forecast budget is R\$ 23.2bn.

All the main objectives of the Rio

rio20<u>16</u>

2016 project also featured in the Barcelona 92 project. Two highway belts, totaling 40km, were built to relieve the tra-

ffic clogging up the main city streets. The subway was expanded – although a large part of the works weren't ready on time – and El Prat airport was expanded to receive a growing number of travelers (which since the 1992 Olympics has risen from 10 to 35 million passengers per year).

Furthermore, just as the Rio Project foresees the depollution of the Bay and the Lake, Barcelona had to clean up its coast, totally reform its decadent port and build artificial beaches, measures that led the city to again look out onto the sea, recovering its quintessential Mediterranean essence. Up to that point, Barcelona was isolated from the coast by a port full of rundown facilities, and its beaches were mere industrial waste and sewage spillways.

It's not all coincidence, however, since some grave problems are ex-



clusive to Rio: violence and criminality, above all else, are a major problem. But, in a brighter comparison, Rio today and Barcelona 20 years ago share a euphoria typical of major and healthy changes. As well as the prospect of holding part of the 2014 Soccer World Cup and being the first South American city to be chosen to hold the Olympics, Rio benefits from Brazil's current privileged economic situation, while the US and Europe have fallen back on hard times, "I am confident that the Games will be a major success, since Rio is a magnificent

ded with one of the global oil crises. The instability further worsened the state of decay of the city and of the rest of the defiant, independent Cataluña region, with the Franco regime abandoning infrastructure and social policies. However, the subsequent political opening and privatization movements in the region enabled a major injection of private capital, allowing Barcelona to embark on an ambitious restructuring project, in which the Olympics were the icing on the cake.

reinvention? "Without question, the key to the success of the 1992 Olympic Games was how it was organized, via agreements between public and private institutions and joint ventures, and the city's excellent capacity to stimulate its economy and attract investments", says Ferran Brunet, economist of the Center of Olympic Studies of the Autonomous University of Barcelona, and author of the article: An economic analysis of the Barcelona'92 Olympic Games: resources, financing and impact.





scenario and Brazil's emergence socially, culturally and economically is a good guarantee", says the Catalan architect Oriol Bohigas, responsible for the most ambitious project of Barcelona 92: constructing the Olympic Village, which led the city

to open out onto the Mediterranean and to become a relevant player on the European tourism map.

1975, the last year of the 36-year period of the dark Franco dictatorship, coinci"After a long period of urban abandonment and repression, Barcelona experienced a thriving development explosion (...); some occasions offer a major opportunity to review things and this was precisely what happened in Barcelona after

the death of Franco", says Australian art critic Robert Hughes in his book *Barcelona*, dedicated to the city and Catalan culture.

So, at the end of the day, what was the secret of this huge

A look at the Olvmpic Games accounts, closed in July 1993, showed revenue of US\$1.638bn (R\$2.81bn) and spending of US\$1.635bn (R\$2.80bn). A profitable Olympics. Of the amount invested, a third was paid by sponsors and another third by the sale of television rights. According to Brunet, this division is the main detail of the Barcelona budget. Compared to Los Angeles, in 1984, the proportion of funds obtained by Barcelona via sponsorship was 270% more, while the amount raised from the sale of television rights was 90% higher.

Before the
Olympics,
Barcelona was
cut off from
the sea by a
decrepit port

The strategic planning and the organization of the event resulted from a joint action involving the Barcelona city hall, the autonomous government of Cataluña, the Spanish central government and the Spanish and international Olympic committees. Administrative centers were created with members not linked to the public administration. Partnerships were signed between the public and private sectors, and the processes of managing investments and organizing the Games were segregated and assigned to specialized proto integrate this plan, whose investments emphasized areas such as mobility, technology, telecoms, hotels, environment and the sporting structure itself.

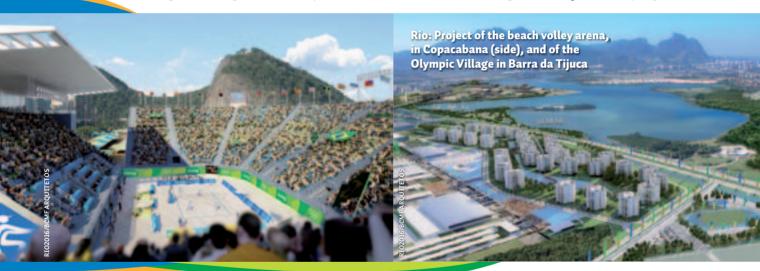
"When the decision to build the 92 Olympic Village was

taken, there was a lot of debate over its location, and we finally agreed that it should be in a privileged, but also problem-stricken, location of the city, so that we could resolve

From the outset, the Barcelona Olympic Village was conceived as another district of the city

green area of downtown Barcelona, all its apartments are full, and it is home to restaurants and commercial and cultural centers. This integration was mainly due to its location and the village's conception as a public space.

The Olympic Village was conceived as another capital city district, linked to downtown Barcelona by a subway line and bus routes. A trip from Plaça Catalunya, ground



fessionals from each sector. The transparent and professional management of these funds was vital to the success of the Games, a recipe that could be transplanted to Rio, in order to ease the suspicions and distrust surrounding the management of the public funds that will be invested.

Before even holding the Olympics, Barcelona had already started a plan to reconstruct the city, headed by the charismatic figure of its mayor Pasqual Maragall (1982-1987). The Olympic projects began

a series of problems that wouldn't otherwise be resolved", recalls Oriol Bohigas in his book *Realism, Urbanity and Failures.* "The main argument was that an Olympic Village located far away from the city center would make no sense in terms of the future of Barcelona; it would never be a Barcelona district, nor contribute to the city's urban overhaul", wrote Bohigas.

And indeed, the Barcelona Olympic village was integrated into the city. Close to the sea and to Parc de la Ciutadella, the main zero of the city, to the Olympic Village takes a mere 10 minutes.

The village is also close to the biggest present that the Olympics gave to the inhabitants of Barcelona: the beach – leading the population to welcome the new space with open arms. With the Barra da Tijuca district playing host to the Rio Olympic Village and several other facilities, it would be advisable for Rio to take a leaf out of Barcelona's book. And it would be a great way of ensuring that, after the Olympics euphoria dies down, the Village isn't just left to chance.

London for **newcomers**

Those looking to buy or rent commercial property in London should be prepared to pay through the nose, but at least they don't have to worry about finding a guarantor

NARA VIDAL, LONDON

ondon is the financial hub of Europe and one of the largest global financial centers. Thus, it should come as no surprise that the London property market took a nasty fall following the biggest crisis since the 1929 crash. In the third quarter of 2008, real estate property deals in downtown London fell to around 20% of the volume registered in the third quarter of 2007, according to commercial real estate brokers and consultants Cushman & Wakefield. But things have started to improve in 2009, with Cushman & Wakefield posting volume growth of 29% in the third quarter of 2009 versus the disastrous year of 2008 in the main London business regions: the City, the West End and the Docklands. Foreign clients are driving most of this recovery, notes Cushman & Wakefield. So, what can a hypothetical Brazilian company planning to set up a subsidiary or an office in a city used to large deals and very high prices (even on the heels of a massive crisis) expect? Renting commercial property in London has never been easy. One of the best pieces of advice is to seek out a professional opinion from a lawyer, bank or broker before signing the lease agreement. Real estate brokers are a necessary agent and an insurance blanket against any underhand dealing. It is advisable to deal with a broker experienced in real estate property and with a track record of success. The lease period is agreed upon between the lessee and the lessor, but



it's important to be realistic and not agree to a longer stay than you can afford. The leases (rent contracts) are very expensive, and cancelling them is a major headache. In the UK, leases are documents with legal value. If their rules and clauses are not fully met, the lessee or company will probably be sued and have to pay astronomical fines.

The difference vis-à-vis commercial practices in Brazil is significant. In London, you don't need a guarantor. The importance of the lease contract is such that the role of a guarantor is rendered useless. Anyone can rent a commercial property, provided they sign a contract and agree to the possibility of being sued in the event of default. One of the most interesting alternatives to leasing commercial offices



is to rent a virtual space. Companies that work in this market offer, 1-4 times a month, offices usually located at prestigious addresses, with technological facilities for client meetings. Thus, a newcomer to the market can avoid committing to a lease, save on personnel admittance costs and, at the same time, have an address and a well-equipped office for meetings or presentations, as well as a receptionist. These temporary use agreements cost upwards of 60 pounds per week. For small- and mid-sized companies, they are a potentially good alternative to the high rental price of rooms or offices. A large-size company needs to have its own office with employees fluent in both English and Portuguese. If the lease contract is the adequate option, the company must consider not just the weekly or monthly lease cost, but other types of fixed expenses, such as service and condo fees. For example, a 110m2 office in Holborn (close to the City) costs approxima-

tely £1,500 (R\$4,800) per month plus, on average, £12,800 per year in rates and services, totaling over R\$42,000 per year. More expensive districts, such as Mayfair and the Marble Arch region (where Petrobras'

representative office is located) can cost up to twice as much.

The tip for any company, small or large, is the same: do your homework and study every last detail before shaking the broker's hand and signing the lease contract. For a Brazilian company looking to set up shop in England, one of the safest and most accredited sources of information is the Brazilian Cham-

> ber of Commerce, in Mayfair, next to the Brazilian Embassy. There, Brazilian businessmen can obtain a whole host of information: from renting a room for their business to the type of advertising that best represents their pro-

duct or service. With well-established and close relationships between the two countries, the Brits are welcoming Brazilian businessmen with open arms. Here, as in other places, Brazil is fashionable.

"Virtual"
offices are a
potentially
good solution
for small
companies

Brazil is investing in higher quality coffee beans to meet the demand of companies such as Nespresso, world leader in gourmet coffees, and the local market itself. Farms from the Grama Valley, on the border between São Paulo and Minas, are leading this effort.

SUZANA CAMARGO. ZURICH

razil provides some of the beans used in the biggest development in the coffee market in recent years - the colored capsules of Nespresso, a company owned by the multinational company Nestlé. Formed exclusively by premium coffee varieties meticulously identified and selected at farms all over the world, the Nespresso capsules are already recognized globally as a new paradigm of a superior quality beverage.

The Dulsão do Brasil blend, whose beans are grown at farms in the Poços de Caldas region in the Grama Valley (on the border between São Paulo and the south of Minas Gerais), is part of this select team. Launched on a trial basis in 2006 by Nespresso, under the name Bourbon Amarelo, its success led the company to add it, already under the new brand, to its global portfolio.

The success of Nespresso and its relentless pursuit of quality shed light on a dilemma that has been affecting Brazilian coffee growers for decades: how to add more value to its coffee beans - of which the overwhelming majority is currently exported with no name, in 60 kilo bags, to be processed abroad. Brazil is still the world's largest coffee producer and exporter - selling 45 million bags of coffee in 2008 (around 30% of global production). Now it needs to take the crucial next step - ridding its product of the unflattering commodity status and associating the origin of its coffee





with a new level of internationally recognized quality.

It's a long journey – but the first steps have already been taken, Bra-

zilian coffee growers realized the importance of quality a few decades ago. The pioneers were the coffee producers from the cerrados region of Minas Gerais, who, at the start of the 1990s, created the Café do Cerrado brand. The result was a significant improvement in sales.

Today, Café do Cerrado is part of a differentiated group: the Appellation of Controlled Origin - whereby

the origin of products is certified to guarantee that all products bearing a specific brand name possess the unique characteristics associated with

> the region of origin. Only four Brazilian products enjoy this strong competitive advantage, granted by the National Industrial Property Institute (INPI) and by the World Intellectual Property Organization (WIPO): wines from the Vinhedos

Valley, in Rio Grande do Sul; Cerrado coffee; Paraty cachaça and meat from the Pampa Gaúcho region.

In the case of coffee, the com-

petition is ferocious. Only the very best coffee beans (somewhere between 10% and 20% of global production) fit the gourmet category. "The perfect coffee needs to have aroma, refinement, a creamy froth and aftertaste", explains Alexis Rodriguez, manager of green coffee and the main specialist from this area at Nespresso headquarters in Switzerland. And he explains: the aroma is a hallmark of the richness of the coffee; the refinement is the pleasing sensation experienced in tasting the drink; and the creamy froth is essential in an espresso. "It stores the aroma of the coffee and is the guarantee that the bean was roasted to perfection", says Rodriguez. The final stage is the aftertaste,

The Dulsão do Brasil brand is made from only the finest Arabica coffee

beans

64



a residual taste that lingers on the taste buds and ensures a glorious finale to the tasting process.

Nespresso, global leader in premium coffee single servings, conquered consumers with the elegant environment of its sales points, the practicality of its coffee machines and the seductive variety of flavors contained in the colored capsules. Company experts travel around the world in search of beans that produce high quality coffee and blends. Brazil, Colombia, Costa Rica, Guatemala, India, Kenya and Ethiopia are the most promising countries in Nespresso's endless prospecting process.

Only coffee beans of proven superiority are used in the Grand Crus, Nespresso's deluxe line, which also launches, in limited editions, rare coffees from exceptional harvests or with surprising flavor. A product of one of these editions, Dulsão do Brasil is a permanent brand of the line. "It's a fine coffee, with superior flavor and fragrance, and a smooth and velvet texture", says Rodriguez.

Nespresso makes only 16 types of Grand Crus. For each one, the company develops a combination of coffee beans that produce unique flavors and aromas. Some coffees, for example, have woody, fruity or citrus notes (as the specialists term the subtleties of their flavors and aroma). There are specific capsules for ristrettos (25ml), espressos (40ml) and lungos (110ml) and for the ultra-exclusive Pure Origin Grand Crus - the name is derived from the fact that their beans come from exclusive plantations and are deeply rooted in their land of origin (in areas on which Nespresso has in-depth knowledge). For the Dulsão do Brasil blend, Nespresso even created a DNA tracking process, which guarantees the certification of this variety.

Generally, Nespresso's Grand Crus use 95% of Arabica coffee beans and 5% of Robusta. Arabica, a finer coffee bean, is a sensitive variety that needs to be grown at altitudes of between 800 and 1,300 m and in a mild climate, with an average temperature of around 20 degrees Celsius. The Robusta coffee bean comes from a more rustic plant, is heat-resistant and can be planted in lower altitudes. The Dulsão do Brasil is a pure Arabica coffee bean, which mixes the Bourbon yellow and red varieties. Its beans

Red Bourbon coffee beans: half of the Dulsão do Brasil blend

BRAZIL IN THE PHOTO

- Brazil has 30% of the global coffee market; in 2008, it exported 29.4 million bags. The #2 and #3 players are Vietnam and Colombia.
- The revenue of the coffee sector in 2008 was US\$4.7bn, 22.1% higher than in 2008.
- In 2009, production is expected to total 39 million bags 70% of the Arabica variety and 30% of the Robusta.
- Brazil's main coffee producing states are Minas Gerais, Espírito Santo, São Paulo, Bahia and Paraná.
- The main importers of Brazilian coffee are Germany, the US, Italy, Belgium and Japan.
- The U.S. is the world's biggest coffee consumer, followed by Brazil.

are submitted to the split-roast technique, which consists in roasting the two coffee varieties separately, at different levels, and then mixing them. The Dulsão do Brasil bourbon variety has sweet notes of cereals, malt, honey and maple syrup. It is estimated that the Bourbon variety represents only 5% of Brazilian pro-

duction. The price of its yellow and red beans, however, is 20% higher than that of the other fine Arabica coffee beans.

This gourmet coffee comes from farms such as Santa Alina, in the Grama Valley – a 900-hectare estate with 100 employees that last year produced 17,000 bags of Arabica coffee (a third of them from the yellow Bourbon variety). Local coffee growers have always appreciated this variety. Fazenda Recreio Estate Coffee, also from the region, produced 5,500 bags of Bourbon, 60% for export. "Starting in 2003, we began to invest in quality coffee and we won awards that opened up several doors for us", says Diogo Teixeira de Macedo, owner of the estate. Recreio's yellow Bourbon variety was also selected by Nespresso to form its Dulsão blend.

Sertãozinho, one of the largest farms from the area, with over 1 million feet of planted coffee beans, has been a partner of Nespresso since 2007 and exports 70% of its production to companies such as Illy (Italy), Toyota (Japan), Solberg & Hansen (Norway) and Mercanta Hunter (England). "When we supply to major brands, we obtain a price increase of up to 30%", says the agronomist and manager, José Renato Dias. Sertãozinho also has a



THE QUESTION OF SUSTAINABILITY

A recent study by the World Bank shows that only 1% of coffee farms in the world produce beans for gourmet coffees. Due to the aroma requirements, Nespresso estimates that, of this amount, only 10% is suitable for its capsules. Thus, the chances of meeting these requirements are 1 in 1,000.

In order to guarantee the continuity of this supply, the farms that become Nespresso coffee suppliers are invited to participate in the company's AAA Sustainability and Quality Program. Currently, 25,000 producers from five countries are part of the program – which sets

high standards in terms of environmental and social aspects of the coffee farms.

"This is an inclusive, not an exclusive program", says Paulo Barone, a Brazilian who has spent the last nine years working at Nespresso, and currently heads the AAA Program. While this doesn't imply that Nespresso stops buying coffee from farms without sustainability programs, it obviously means that companies that are part of the AAA program are looked upon more favorably. Nespresso has entered into a partnership with the Rainforest Alliance organization, which certifies

farms' compliance with the established targets. Since 2005, the Forest and Agricultural Management and Certification Institute (Imaflora) has also been working in Brazil to train and inspect the plantations involved in the AAA program.

It is a process of continued improvement, but not always easy. "Very often, the adaptation is tough for Brazilian producers. They need to follow a series of rules such as the correct use of uniforms by employees, payment of overtime and, mainly, environmental preservation", says Eduardo Gonçalves, project coordinator at Imaflora.

gene bank with over 60 varieties for tasting. As with wines, the coffee's quality depends on the terroir (French for cultivated land) – the combination of the soil where the plant is grown and the cultivation techniques used. Due to its ideal fertility, altitude and climate, Grama Valley has the perfect conditions for growing Bourbon.

Still, it isn't easy to enter the team of Nespresso suppliers. The development of new blends is a lengthy process. On average, it takes three years from the discovery of the coffee bean to the sale of the capsule at Nespresso's stores. "After an initial test, we have to wait for a second harvest, to be sure that the beans are truly high quality", says Rodriguez. In this second harvest, Nespresso experts provide advice to the coffee growers to ensure that the coffee attains its maximum quality. "We can, for example, recommend some change in the drving process", says a company expert.

Nespresso will only buy the coffee beans in the third harvest. The roasting and grinding processes are performed at the company's two Swiss production centers, in Orbe and Avenches.

Such meticulous standards ensure that Brazilian gourmet coffees

are becoming more and more famous on the international scene. At the Rainforest Alliance Cupping 2009 edition, one of the world's leading coffee competitions, Brazil came 4th, beating heavyweight competitors such as Colombia, Nicaragua,

Mexico, Honduras and Ethiopia (Guatemala won). In the opinion of Rodriguez, from Nespresso, you can't just say that one single country produces the best coffee in the world. "There are exceptional harvests in Brazil, Colombia, Costa Rica,

Guatemala, Kenya, Java and India", he says. But the Brazil brand is already an excellent one to sell, he says.

This affirmation is also applicable to the local market. According to the Brazilian Coffee Industry Association (ABIC), consumption of gourmet coffee in Brazil, insig-

nificant until 2002, has grown 15% p.a. and now represents 8% of total roasted and ground coffee sales. And the number of coffee shops where these coffees are consumed could grow 20% p.a. in Brazil. It is these places – and the sto-

res where you can choose the bean or blend – that consumers and connoisseurs go in search of new aromas and flavors. After all, producing coffee is something that Brazil has always been good at. Now the country is learning to taste it.

Practices such as child labor, pollution of rivers or deforestation are strictly vetoed in the program.

There is no doubt that sustainable management directly influences the coffee farms' profitability. "They end up saving more energy and inputs, employees are healthier and there is a clear improvement in profit levels", says Gonçalves. The agronomists from the local cooperatives and farms are also trained, giving them a clearer view of the importance of reforestation, recovery of woodlands and responsible use of agro toxics.



The Bourbon

variety costs

up to 20%

more than other

high-quality

coffees



n the first three quarters of 2009, the international crisis and the weak dollar led Brazilian furniture exports to slump over 30%. In Rio Grande do Sul, Brazil's second largest furniture export state (whose citizens are known as gauchos), the crisis chopped almost a third off the state's exports. There is, however, a group of Rio Grande do Sul furniture manufacturers who are not only maintaining export levels but actually increasing them. The secret, in the case of companies such as Florense, SCA and Marelli in recent years, was to open stores

abroad selling their own brands (i.e. private label products), mainly in the Americas.

This new model involves the sale, with no middlemen, of higher value-added products and the provision of a wide array of services. Investors are invariably local partners that

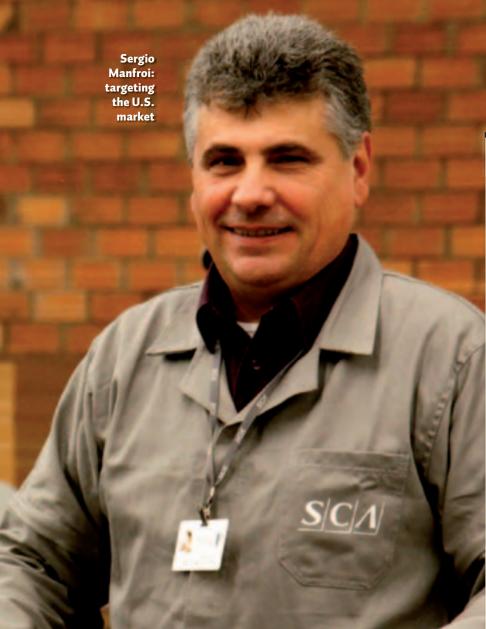
spend over US\$1,000 per square meter to set up stores (each store abroad usually has 100-500m2). This represents progress in relation to the furniture sector's traditional export model,

where the capacity to compete depended on low prices and a strong dollar. "Companies made money by selling furniture with no brand to resellers abroad", says Marcelo Prado, director of the Institute of Studies and Industrial Marketing (IEMI) from São Paulo. "There was

very little difference between Brazil and other lower-cost suppliers, like China."

However, some Brazilian companies with their own distribution channels and international

Low prices aren't enough to meet the challenge of Chinese producers



adopt the new strategy by open-

ing a store in Uruguay back in the 1990s. Although it has been export-

ing private label office furniture to

the U.S. since 1980, Florense used

distributors who resold its products

to U.S. stores. The model was work-

ing just fine until the mass invasion

of Chinese products at the start of

this decade. "We then envisaged an

opportunity to create franchises in

the U.S. and to work with higher

sales are now contesting markets value-added products, especially in the home furniture segment", says with renowned Italian and German suppliers. Florense, based in Flores marketing manager Mateus Corradi. da Cunha (a city in Serra Gaúcha), was one of the first companies to

In 2005, Florense opened its first store in New York, followed by others in Miami and Chicago. Today, it has 11 franchises in seven countries, but the U.S. is still its main international market. Despite the crisis currently affecting the U.S. market, Florense has been maintaining its pace of international expansion. "We had a tougher year, but we didn't stop growing", says Corradi. Exports should account for 20% of Florense revenues in 2009, well up on the 15% posted in 2008.

WHO'S **ALREADY THERE**

The Rio Grande do Sul brands that have set up shop abroad

What it makes: office and home furniture

Factory: Flores da Cunha

Brazil stores: 90

International stores: 11 Miami, Chicago and New York, Mexico City and Monterrey, Bella Vista (in Panama), Luanda, Asuncion, Punta Del Este, Montevideo and Santo Domingo.

Expansion projects: North Americas, mainly in the U.S. and Central

Export share in revenues: 20%

What it makes: home and corporate furniture

Factory: Bento Gonçalves

Brazil stores: 91

International stores: Montevideo (2), Punta del Este, Maracaibo, Asuncion, Luanda and Lobito, Dacar and Santa Cruz de la Sierra.

Expansion projects: U.S., Colombia and Dubai

Export share in revenues: 8%



What it makes: office furniture

Factory: Caxias do Sul Brazil stores: 25

International stores: 5 – Buenos Aires, Montevideo Asuncion, Santa Cruz de la Sierra and La Paz.

International expansion projects: Chile, Venezuela and Mexico

Export share in revenues: 9% * Source: companies

The international franchise system is the same as the one used in Brazil, where Florense has 90 stores. All the stores adopt the same standard of layout and service provision, from designing and projecting the furniture to installing it in the client's home. The products are made in Brazil, and the international teams are trained by Florense itself. "We sell the same product to our clients in New York, Panama, Mexico and São Paulo", says Corradi. The main difference, in his opinion, is foreign clients' preference for wood and high-gloss finishes for bedroom/kitchen furniture.

Although office furniture is still Florense's #1 export product, home furniture is the fastest-growing line. And by incorporating automated technology (e.g. drawers that open and close with a simple press of the finger), Florense is currently contesting markets with European manufacturers, especially the Italians – and it has the upper hand.

According to Corradi, despite importing part of its inputs from Italy, such as fittings, paint systems and wood laminates for finishes, its fur-

THE STRENGTH OF THE GAUCHOS

Rio Grande do Sul in Brazilian furniture exports

Revenue: US\$ 289mn

Market share: 29% (only behind Santa Cantarina, with 32%)

Main markets: Argentina, United Kingdom, Chile, U.S., Uruguay, Venezuela, France, Colombia and Mexico

* Source: Movergs / 2008 data

niture sells in the US market 30% cheaper than its Italian competitors. "We stopped exporting products with no added value to multi-brand stores and now we export technology", says the executive. With the

success of this strategy, the company is already planning new franchises, mainly in the U.S. and Central America. "Within five to ten years, we want to have 25-30 stores abroad", says Corradi.

SCA (in the city of Bento Gonçalves), a furniture producer with 91 stores in Brazil, is also targeting further international expansion (it already has nine stores abroad). "We plan to open two new international stores per year", says managing director Sérgio Manfroi. "Our aim is to set up operations in the U.S., Colombia and Dubai." The company, which some time ago obtained 45% of its revenue in the international market, discovered that its ideal growth model resided in its exclusive partners. "Via stores selling private label products, we managed to flee the price market", says Manfroi. "If we had continued exporting our furniture to multibrand stores, we would now be in the middle of a catastrophe."



It was in 2002, after the setback caused by the Argentine crisis, that SCA decided to internationalize the exclusive store model, used in Brazil since the end of the 1990s. At the time, exports plummeted from 45% to 5% of its revenue. "Overnight, with the collapse of businesses in Argentina, we had to rethink our entire international strategy", says Manfroi. Today, SCA's exports are growing again and should account for 8% of its revenues in 2009 (vs. 6% in 2008). Despite the strong Brazilian real, SCA says that the strategy adopted is enabling it to grow gradually and to flee the specter of Chinese competition. "We stopped selling just products and started adding the value of the service", says Manfroi. "We used to sell just sink counters; today we plan, design and install entire kitchens, costing up to US\$40,000."

Like Florense, SCA is now competing with Italian, German and Spanish furniture producers. Brazilian and European exporters are equally affected by the greenback's devaluation against the real and the euro, but the advantage of being a lower-cost producer offering quality furniture has helped SCA penetrate new markets, such as the U.S.

"We ended up capturing U.S. clients who stopped buying from the Italians", says Manfroi. "The Americans came to us because our product is very similar, from a technological standpoint, to the European one".

If sales in the U.S. take off, SCA plans to set up its first store, which will follow the model of its other stores in South and Central America and Africa. Just as it helped SCA enter the US market, the strong euro

also led Marelli, from Caxias do Sul, to start exporting to Africa in 2009, robbing share from European products. For the time being, Marelli, which has 30 private label stores in Brazil and five showrooms in other Latin Ameri-

can countries, doesn't plan to set up shop on the African continent. But it is nevertheless bullish on this market. Marelli's expansion plans currently prioritize Chile, Venezuela and Mexico.

Marelli, which started exporting furniture back in the 1980s, has followed a similar path to its competitors. In 1999, it set up its first international showroom in Paraguay.

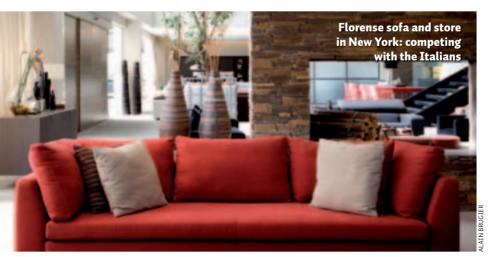
"We put together a brand transfer agreement with the distributor, along the same lines of a franchise with store standards and service". says Marelli marketing manager Daniel Castilhos. The beyondfrontiers business model was so successful that the company's best news this year came from abroad. Of all its 35 stores, including its Brazilian ones, a Bolivian store was the first to achieve (in July)

> all the 2009 annual targets. "Our product offering added to the service provision, a rarity in the country, enchanted Bolivian customers", says Castilhos.

> Present in Bolivia for the past five years, Marelli is already

considering opening its third store there. Despite classifying 2009 as a tough year, since many of its clients put their expansion projects on hold, Marelli is celebrating the fact that its exports now represent 9% of revenues. "If we had continued selling to multi-brand stores abroad, we would now be sitting around lamenting a drop in exports", says Castilhos.







100 everyone's 1105 (and teeth!)

An exporter for over 40 years, Dabi Atlante, from Ribeirão Preto, has paved the way for the Brazilian dental equipment industry to get its teeth into the global market

ANTONIO CARLOS SANTOMAURO, RIBEIRÃO PRETO

hat would be an innovative and state-of-the-art piece of equipment for a dental clinic? While a number of options spring to mind, a cabinet is certainly not one of them. However, this is precisely what Dabi Atlante, a dental equipment manufacturer from Ribeirão Preto (São Paulo), is gearing up

LOOKING ABROAD

Dabi-Atlante exports to around 80 countries

The company obtains 20-25% of its revenues from exports...

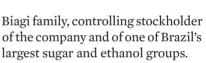
...and invests 5% of its revenue in research and development

to launch in the global market. We're obviously not just talking about any old piece of furniture, but instead a "smart" cabinet that identifies products using RFID technology (tags read via radio-frequency) and makes online orders. The cabinet monitors its own product inventory levels and, if necessary, automatically sends

Dabi Atlante, via the Internet, the respective restocking requests –thus providing a service to the dentist while doing away with the need for a seller.

The lot of the first 200 "smart" cabinets is

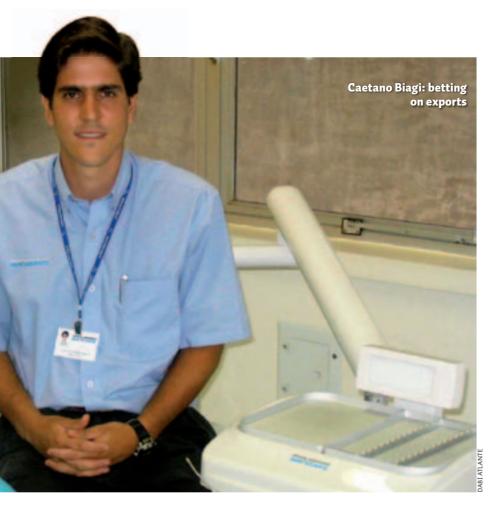
already in the production line. The equipment will not be sold, but instead provided to clients. "The cabinets will be our sellers", says Caetano Biagi, industrial director of Dabi Atlante. With a degree in mechanical engineering (from São Paulo University) and business management, Caetano (28) is heir to the



Dabi Atlante's exports (to approximately 80 countries) currently represent 20-25% of its revenue (which the controlling stockholders don't disclose). The company started exporting in the 1960s, thereby opening a window of internationalization – subsequently exploited by other Brazilian companies from the sector (such as Gnatus, also based in Ribeirão Preto). As forerunner of this movement. Dabi had the task of exploring the international dental equipment market for a country better known as an exporter of iron ore, coffee and other commodities, and not in the least bit renowned, as far as its potential clients were concerned, for its technological capacity.

To conquer the international market, Dabi focused on two fronts: (i) research and development (R&D) of products combining quality with





competitive prices; and (ii) prospecting buyers, initially, in countries with similar socio-economical characteristics to Brazil, especially its Latin American neighbors. In the 1990s, it even sold dental equipment to the US, but subsequently abandoned the business – preferring to concentrate on developing markets.

But its absence from the US market is set to end shortly – since next year Dabi intends to return to the US market, offering image diagnosis equipment. In 2004, it became the first (and remains the only) company from the Southern Hemisphere to produce panoramic X-

rays, and it is already in the process of registering this equipment with the US government. Dabi has also already requested a global patent for its "smart" cabinet

Dabi Atlante was the first Brazilian company to produce dental clinics equipped with stools, allowing dentists to work sitting down. It also produced the first national versions of the so-called

"handpieces" (the famous "little engines"). Caetano says this innovative

capacity stems from the company's strong links with individuals capable of developing projects - at universities, companies and research institutions in Brazil and abroad. The company, he says, channels 5% of its revenue to investment in R&D.

This pioneering Brazilian company is competing with traditional countries in this sector (such as the US and Germany) and also with the Chinese, who offer lower prices to gain market share. Dabi has a subsidiary in Dubai, where it uses the customs warehouse of ApexBrasil (Brazilian Pro-Exports and Investments Agency). The group is also exporting its D700 product line, launched four years ago and targeted at the lower purchasing power markets.

The two lines have the same type of products and share the company's production resources, but they have separate sale and marketing strategies – D700 is now being exported to Paraguay and Colombia.

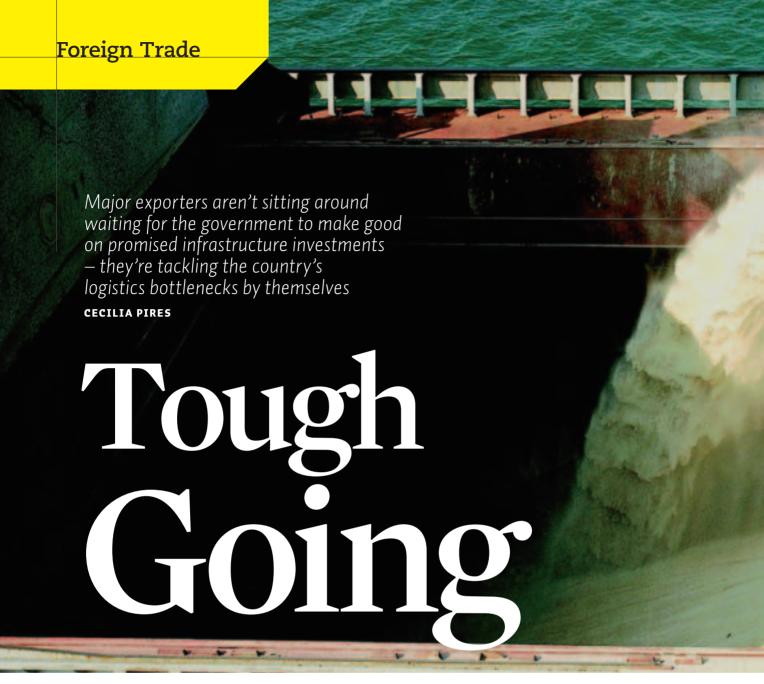
The Latin American market is Dabi's main short-term bet. Accor-

ding to Caetano, the company plans to open subsidiaries in neighboring countries, instead of simply exporting everything from Brazil. "We offer clients our philosophy and working culture developed over six decades", he says.

"Within 18 months, we will have a subsidiary in Mexico". ■

The "smart"
cabinet
will control
inventories and
make online
orders





razilian engineering and construction companies need to ship large volumes of cargo to other countries and other continents, to support the growing internationalization of their businesses. They send materials, vehicles, equipment and even food across the oceans to construction sites in South America, Asia, the Middle East and Africa where Brazilian companies are building everything from housing projects, hydropower dams and highways to railroads and sewage

systems. But the smooth flow of all this cargo is stymied by Brazil's poor transportation infrastructure, in particular old and undersized ports with precarious, congested access roads and deficient equipment. It simply doesn't match the requirements of Brazilian industry in the 21st century. Things have reached the state where some companies feel obliged to put together their own transportation networks to bypass the bottlenecks. One such is Construtora Norberto Odebrecht, a major construction company that

has worked around the world for many years. The Odebrecht group formed a company just to handle logistics and foreign trade, Olex Importação e Exportação SA, with 180 employees and its own export terminals at Rio and Santos ports. Olex General Manager Mauro Rehm said that Odebrecht exported US\$1.4 billion in engineering goods and services last year, and some 25% less this year thanks to the global downturn. Most common construction materials exported in the first half of this year were steel tubes and plates and



cast iron connections. In March of this year Olex started shipping cleaning materials and foodstuffs including frozen items - to a chain of supermarkets the Odebrecht group is building and managing in Angola. The Portuguese-speaking African country is a major petroleum exporter and is undergoing massive reconstruction after years of civil war. It has become one of the best markets in Africa for Brazilian companies, so much so that Olex has chartered a ship just to ply the Brazil-Angola route. With Odebre-

cht operating in 22 countries, there is strong demand for the specialized services provided by Olex. But Odebrecht isn't the only client, and Olex provides logistics solutions to other Brazilian exporters. Companies that were already operating abroad have gained support and new strength by working with Olex in markets that are difficult to break into. One such is Tigre, a leading Brazilian maker of plastic pipes and connectors which is present in 10 countries and has partnerships with Odebrecht in Angola and the Dominican Republic. Gilmar Köerber, export manager for Tigre, said that partnerships like these are essential in some of the more difficult markets. "Tigre wants to keep on growing strongly abroad, and Odebrecht is a Brazilian reference internationally," he said. "Olex is an essential part of their operation for serving international projects."

Some Brazilian multinationals find their logistics problems start when they reach to port. Cosan is one of the world's largest producers of sugar and ethanol, with installed capacity to crush more than 44 million tonnes of sugarcane per vear. Now Cosan has created Rumo Logística specifically to ship its products from inland production centers to its own export facilities at the port of Santos.

The Rumo terminal can export 20 million tonnes of sugar and other dry bulk every year, in addition to warehousing 380,000 tonnes of bulk sugar and 55,000 tonnes of bagged sugar. This makes it the world's largest specialized sugar terminal, the company says. To move this mountain of sugar to the coast, Rumo and Cosan closed a deal with ALL - América Latina Logística, a major regional railroad operator. Rumo will invest some R\$1.2 billion to upgrade the railroad from the inland city of Bauru. Work includes improving the permanent way and yards, buying locomotives and rolling stock and expanding terminals. ALL will sup-

ODEBRECHT EXPORTS

First half of 2009 (in R\$)

:: Argentina 562.33 million ... Angola

212 million 181.56 million

ply cargo transportation services.

The basic truth is that Brazil's new cycle of economic expansion following the international crisis is placing serious strains on the country's rickety infrastructure. Further pressure will come from new demands created by development of the major offshore sub-salt petroleum fields and investments expected to host the World Cup football competition in 2014 and the Olympic Games in 2016. Specialists argue that the volume and rate of investment to date will not be sufficient to meet the coming needs in the timeframe necessary.

According to the National Confederation of Industry (CNI), annual infrastructure investment is already R\$85 billion too low –

and this is before adding on the subsalt petroleum, the World Cup and the Olympics. Paulo Resende, professor of planning, transportation and logistics at the Dom Cabral business school and think tank in Minas

Gerais State says that R\$85 billion figure is about right. Adding in the new demands, however, the annual shortfall in infrastructure investment is around R\$110 to R\$120 billion. "Brazil's rate of public and

private investment in the sector isn't half that level," said Resende, who holds a doctorate from Illinois University.

Resende said that structural projects currently on the table in the transportation sector do little more than make up for what was not invested through the last three decades in ports, railroads and highways. Top of his worries is that the only source of infrastructure investment comes from the PAC, a federal government program to promote faster economic growth: "In the area of the ports the PAC is focused on dredging and rock removal, and it is in deficit."

These things are important, because they will make it easier for larger ships to get into ports like Santos, Suape, Paranaguá and Rio

Grande. "But there is no investment for off-port areas or for road and rail access," Resende said. The government is predicting investments via the PAC totaling R\$2 billion in at least 20 ports through the end of 2010. The

goal is to deepen access channels to 15 meters, bringing Brazilian ports into line with European terminals that can handle deeper-draft vessels.

Resende does not think that building their own export logistics

facilities is the best option for private companies: "These facilities

vate companies: "These facilities are very expensive, and I have seen companies being forced to sell them because they can't keep up with the costs." But there's a third option gaining ground, between building your own solutions and pressuring the government to pay for more modern and efficient infrastructure. It involves greater participation by private companies in providing these services, particularly port infrastructure, and not just acting as an operator of private infrastructure alternatives.

Olex has a leased cargo vessel sailing full-time on the Brazil-Angola route



PAPERLESS PORT

IT TAKES A lot of patience to sell Brazilian products abroad. Exporters have to give different government agencies the same information over and over again on different forms, running back and forth between government

offices and banks to pay taxes. The federal government's Special Ports Secretariat has prepared a project to reduce operational bureaucracy and cut down the time it takes to berth a vessel. Dubbed 'Paperless Port', the pro-

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Resende argues that Brazilian and foreign private capital should be more involved in port projects. Similarly, foreign-flag vessels should be allowed to operate in Brazil, in particular in cabotage. And port operations should be left to the private sector: "The government should limit itself to regulation and control."

Physical infrastructure is not the only problem. Various CNI studies have identified customs bureaucracy as a key factor undermining the competitiveness of Brazilian companies. Businessmen say that the time taken to process imports and exports in Brazil is significantly greater than the international average. This creates inefficiency and adds costs for the whole supply chain. What's more, sluggish customs frighten off investments.

Nelson Faria is a retired logistics expert who worked for Infraero, the Brazilian government's agency charged with managing the majority of the country's airports. Formerly the logistics manager at the major airports of Galeão in Rio de Janeiro and Guarulhos in São Paulo.

Faria provides a striking example of the system's inability to solve basic problems - the huge volume of abandoned cargo at Brazil's airport terminals. In Guarulhos, more than 70% of the cargo area is occupied by abandoned goods, Faria said. Some of it has been sitting there for over 10 years. Just 30% of available cargo space is dedicated to current foreign trade. "The customs authorities have to find a way to dispose of this merchandise," he said. "In no other country in the world would abandoned cargo just sit in the airports for so long."

gram will seek to computerize port processes and reduce the number of documents needed. "All this will be eliminated with the use of IT and the payment of one single tax via internet," said Luís Resano, who is coordinating the project. The aim is to eliminate roughly 25% of existing bureaucracy by using an internet

portal backed by a database. But private companies are demanding more efficient operations in the ports themselves. Otherwise, the new system might simple computerize the existing bureaucracy. Jovelino de Gomes Pires, coordinator of the Integrated Logistics Committee at the Brazilian Foreign Trade

Association, said that the Paperless Port project was welcome, if overdue. Export documentation must currently be checked by six different agencies. "Brazilian products are competitive; the problems start at the factory and farm gate, and then we lose competitiveness as we get to the port and the sea," Pires said.

CHRISTMAS SHOP WINDOWS

A store in Paris...

THE PRINTEMPS STORE has been reborn in grand style, as is the case with almost everything that happens in Paris. A show of lights and sound in November led by the Russian top model, Natalia Vodianova, opened the annual end-of-year party season, with the theme Slavic Christmas. At the same time, the 14,000 square meters of restored art nouveaux mosaic facade was unveiled to the public for the first time. After decades of relative obscurity, in the shadow of the neighboring Lafayette Galleries in Boulevard Haussmann, Printemps, already open for 140 years, is back in style and aiming at the high-end luxury market with launches of women's fashion, housing all the great brand names of Avenue Montaigne, Place Vendôme and Faubourg St. Honoré. The stated strategy is to woo and pamper its clients, whether alone or accompanied - often by the famous personal shoppers –, catering to all their needs, and will deliver your purchases to your home or hotel or provide you with moments alone to enjoy the gastronomic delights in the restaurant on the seventh floor, under a much talked about and amazing glass dome. www.printemps.fr



EXCLUSIVE SHEETS

...a hotel in Berlin...



HOTEL CHAINS TEND to be baptized with names that suggest quality, luxury or both: Leading Ho-tels of the World, Small Luxury Hotels... the Ritz-Carlton already states its attributes of excellence in its name. The well-known hotel owner, Cesar Ritz, created the brand in Boston more than a century ago, with innovations that were surprising at the time, such as a bathroom on each floor, fresh flowers, à la carte restaurants and an attractive, almost intimate lobby. This standard was maintained in the glittering Ritz-Carlton in Berlin, built

on a corner of Potsdamer Platz on the line where, until 1989, the wall that divided the city was erected. Berlin is not as expensive as London or Milan, and the hotel rates start at €265. Some of the main attractions within walking distance are: the Brandenburg Door, the Reichstag (Parliament), with a dome designed by Sir Norman Foster, Checkpoint Char¬lie, the museum about the end of communist Germany, the Holocaust Monument, Friedrichstrasse and its luxury stores and, for those that want to work, the business centers of Sony and Mercedes. www.ritz-carlton.com

FINE FOOD PER KILO

...and a restaurant in London

VERY TRADITIONAL BRAZILIAN FOOD "per kilo" has arrived in the capital of Great Britain in a chic vegetarian version. With open-space architecture, almost trans-parent external walls made entirely of glass, the new restaurant tibits attracts, from breakfast to dinner, a mix of models, elegant business men and women from the neighboring Regent Street and executives from the City. However, the main attraction is the range of delicious snacks and healthy food, in several flavors – some from Asia – made with organic and fresh ingre-dients. To drink the restaurant offers fresh juices, all the normal soft drinks, cocktails and even fine wines. www.tibits.co.uk



DIVOLGAÇÃO





STROKES

AVIATION

And the Oscar goes to...

THE RECOGNITION MOST respected in the world of aviation, the annual Airline Industry Awards, is the Oscar of this sector of industry – it is based on passenger votes – was won again this year by Singapore Airlines. The public's number one airline in Latin America is not Brazilian, as the Chilean LAN tops the polls. Of the other companies that fly to and from Brazil, Continental did well (best business class), Emirates (best Middle Eastern airline) and South African Airways (best African airline). www.oagairlineawards.com/Winners







Istanbul,

by Ege Erim

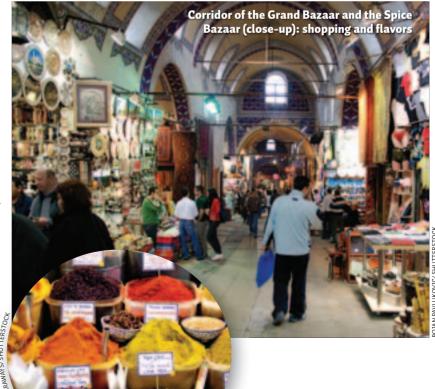
Welcome to an extremely chaotic city: Istanbul. A spacious and air-conditioned airport may lead you to think this may be just another boring business trip, but don't forget you're in an ancient city with over 15 million inhabitants. Istanbul, Turkey's metropolis, is a city bearing the footprints of many civilizations: European and Asian, rich and poor, enlightening and cruel. Our guide to Istanbul's urban charms is Ege Erim, a copywriter from an advertising agency and a children's book writer who lives on an island in the Bosphorus, midway between Europe and Asia.

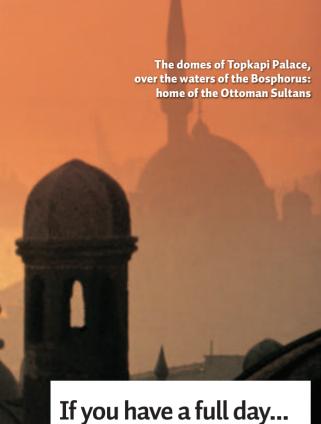


If you have a few hours...

...YOU SHOULD DEFINITELY DO a

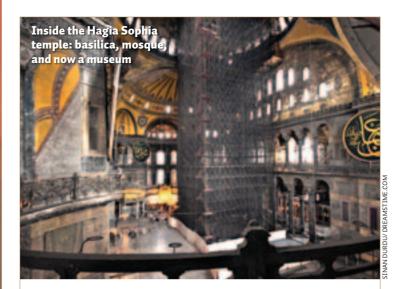
Bosphorus boat tour (http://www.ido. com.tr/en/index.cfm). Take the boat, buy some simit (Turkish bagel with sesame), ayran (salty beverage made with plain yoghurt), Turkish tea or coffee. Enjoy the view, the beautiful palaces and the Ottoman style mansions along the shore. After that, the Galata area and Galata Tower are a great way to discover the old city. Go for lunch at Pandeli (make sure to go between 11am and 3pm, the opening hours), a traditional restaurant in the Spice Bazaar which serves original ottoman recipes. Then visit Kapalicarsi (historical Grand Bazaar), where you can find elegant jewelry and genuine leather articles.

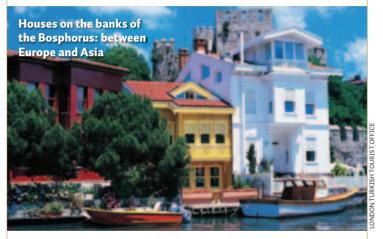




...AGAIN, PLAN A BOSPHORUS boat tour early in the morning, which will give you time to visit the historical locations of Sultanahmet, the old city of Istanbul: Hagia Sophia Museum, a very impressive Byzantium church, Topkapi Palace and Yerebatan Cistern, an architectural masterpiece dating back to the year 542. Hungry? Go to Haci Abdullah Restaurant in Istiklal Street and enjoy the Turkish specialties. Take your time and stroll around Istiklal, a lively, popular street. You are now in the heart of the city, with many bars and cafés along the way. Another treat is a hamam, a traditional Turkish bath. Cemberlitas, Cagaloglu or Suleymaniye Hamams are beautiful alternatives. Go to stylish Istanbul 360 Restaurant for dinner - the view is terrific! - or visit Babylon in Asmalimescit, a popular club, to enjoy a live concert.







If you have a full weekend...

...START WITH THE ONE-DAY guide, adding breakfast at the Istanbul Modern Museum, then go to Karaköy and taste the delicious Turkish pastry (baklava) from Gulluoglu. You could also have dinner at the Armada Hotel Restaurant, complete with a nargile (waterpipe) on the terrace to take in the spectacular night view. On the following day, why not go to Prince's Islands, near the Anatolian Side (the Asian shore of the Bosphorus)? Cars are banned, and the air is pure. In Buyukada, the biggest island, you can rent a bike for the day or simply walk around to discover the wildlife and the small, hidden beaches. Do not forget to visit the Aya Yorgi church (St. George). Once you reach the Anatolian Side, Beylerbeyi Palace (very elegant and feminine - it used to be the summer palace of the Ottoman Empire) is a must see. Stop for lunch at the Kanaat Restaurant in Uskudar - which only serves traditional Turkish meals (and only accepts cash!) - or try the Ismet Baba Fish Restaurant in Kuzguncuk, the place to go for seafood lovers. Cozy and peaceful, you'll enjoy the Bosphorus view along the Turkish mezes, fresh fish and raki, our favorite drink!

Go to the pub

Four years in London taught the advertising executive from Porto Alegre one thing: British pubs are where you learn English and meet the Brits

TTHE END OF 2005, MY wife and I moved to Great Britain. We left Porto Alegre to set up the London headquarters of my company, W3Haus – an interactive communication agency. My three partners (Alessandro Cauduro, Tiago Ritter and Chico Baldini) would continue running the business in Brazil. It was a bet. We bet we had the capacity and quality to compete with Europeans on their own turf.

I had lived close to London when I was a child, while my parents were doing their PhDs. That's why I knew a little about the culture and language. But London for grown-ups is a lot different to London for kids. Also, I had spent my entire career up to that point in Brazil. In our country, everything is done in a way that often can't be translated to other cultures. As soon as we set up the company, we started prospecting clients and getting our first jobs. From the outset, a lot of things took on a whole different complexion.

Here, for example, the work cycles are very, very long. Want to schedule a company

presentation? Sure – how about in four months time? A normal timeframe. A lot different from Brazil's "How about tomorrow?". Upon finally arriving at the meeting scheduled months in advance, the frankness and transparency are off-putting – people start talking numbers right off the bat. In Brazil, there is a certain ritual when it comes to talking money. It is even frowned upon to negotiate amounts immediately, but people don't have time for beating around the bush here.

But it's not all work and no play; and London is a great place to live. You can walk through the streets calmly, including at night – something that I really missed being able to do in Brazil. Also, I don't drive a car anymore, which has become unfeasible – I live close to the center of London, where the traffic is chaotic and you have to pay toll fees. I use public transport, I walk and I ride my bike to meet personal and work commitments. There's something inherently funny in seeing executives cycling to work wearing ties.

Culturally, London is a very rich city. Even after years here, I am always discovering new and surprising things. And the stereotypes that we all learn about the English (polite, always on time, emotionally cold, etc) come under close scrutiny. By fully immersing yourself in a culture, black and white give way to the grey lines in between. Are they really cold? Some of them are, others aren't. In general, people from North England are more openly warm. But everyone becomes warm in the pub. London bars are a social Mecca, where everyone is equal and people go to enjoy themselves and mingle. A visit to the pub with the English knocks these stereotypes into last week, and helps beginners practice the language. The pub is one of the pillars of London life, where deals are closed, couples meet and friendships are forged.

I've been living here for four years – would I do it all over again? Yes. After some initial teething problems, I can say that Brazil is very similar and, at the same time, very different. The advice I would give to Brazilians planning to come to the UK is simple – make sure your visa is OK and try to blend in. Lots of people come to London to study English and spend all their time hanging out with Brazilian friends – you won't learn English that way and you'll miss out on a wealth of invaluable life experiences.



^{*} Rodrigo Cauduro is a director of the London office of the W3Haus agency



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